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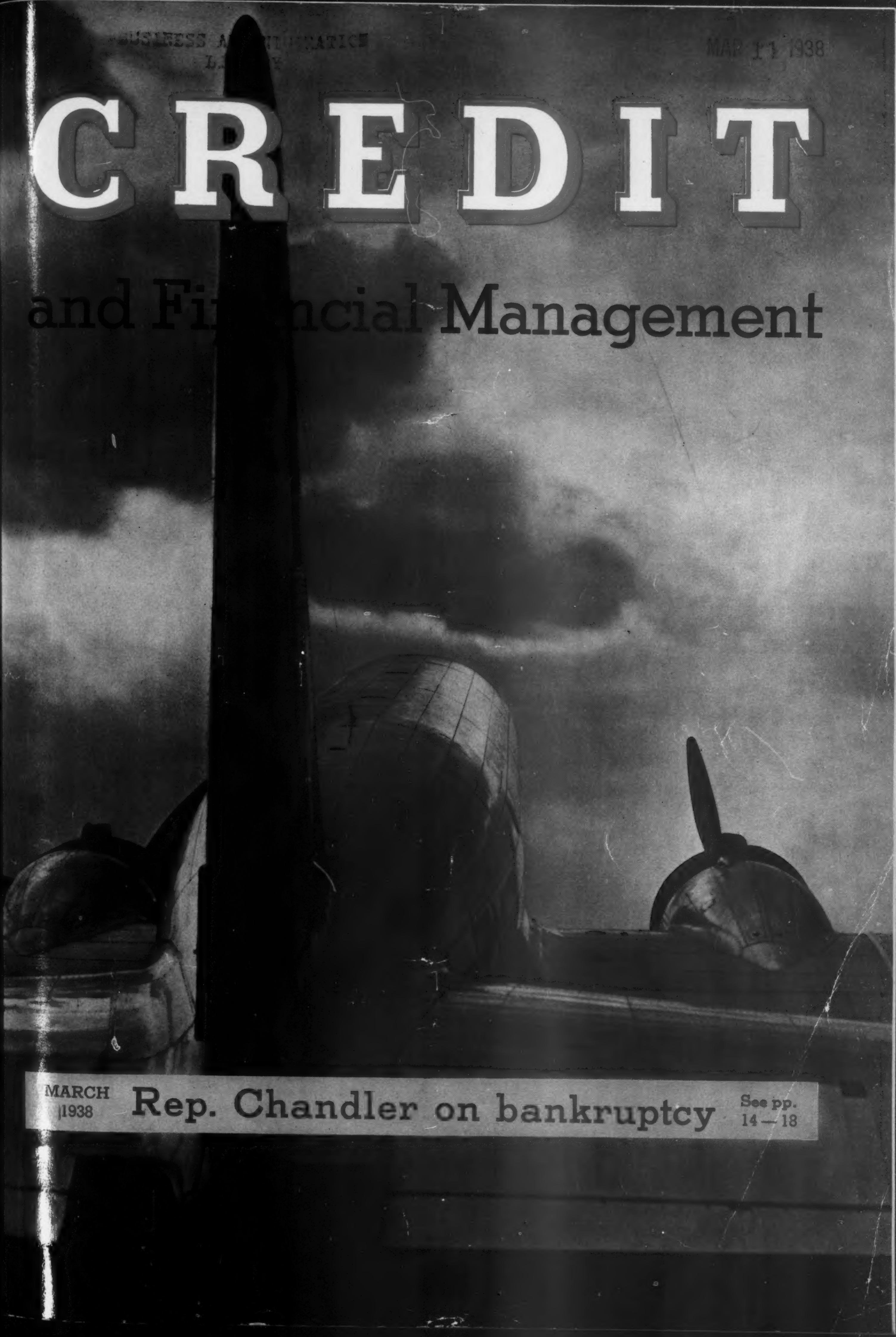
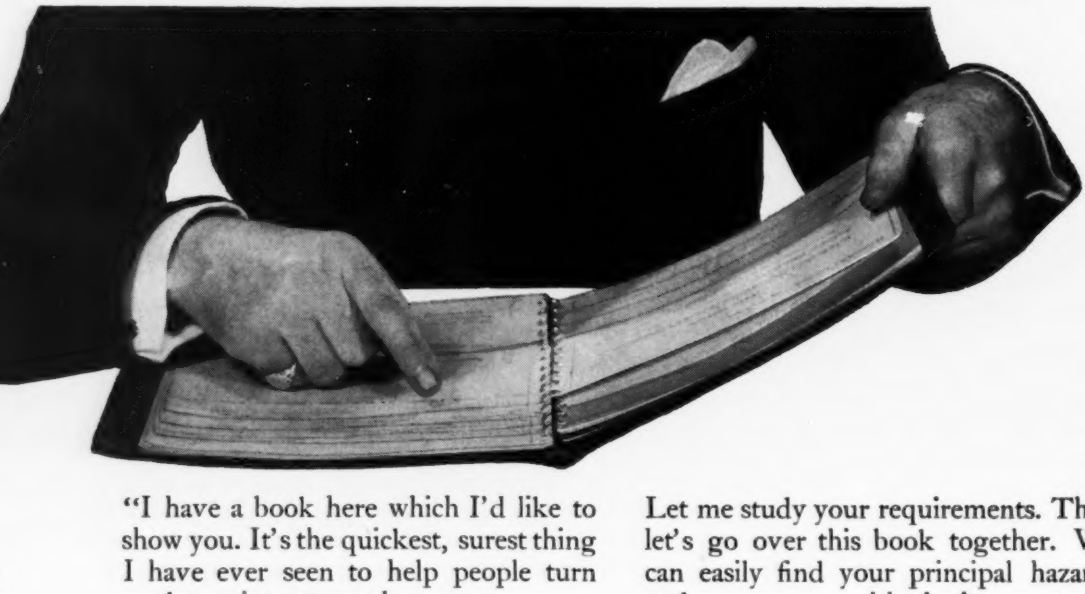


MARCH 1938

Rep. Chandler on bankruptcy

See pp. 14—18

A plan to convert weakness into strength



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and Financial Management

Contents for **March, 1938**

Manufacturers' sales, collections and accounts receivable
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Cover: Dmitri Kessel from Black Star

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One or forty-eight?

Forty-eight nations or a nation of forty-eight states; which shall it be? In its youth, capitalism had to break precedents and legal barriers so that it could naturally develop. In accomplishing this freedom it promoted individual opportunity and moved towards social betterment.

The walled city of medieval times is probably a perfect symbol of the restrictions on trade that were to be found within nations in those days. Is there a tendency now to bring back the walled city of yesteryear?

Certainly, internationally, we are confronted with nationalism. Even in this nation there is a definite drift towards sectionalism based on state lines.

Is interstate commerce, and freedom in its exercise, gradually becoming a theory? We have sales taxes in twenty-four states, use taxes in five states. Outside products are discriminated against in favor of those within the states. We have ports of entry and customs collectors in some states. One state alone has over sixty ports of entry. Four or five other states are busily engaged in erecting these barriers.

Some state legislative acts are legitimate in their purposes; others seem mainly designed to promote use of local products of agriculture and industry in place of those from other states. Is this trend going to continue? It is likely unless some semblance of agreement is developed soon among the states. Retaliation, which is a fundamental human reaction, may tend to expand these laws. Will this lead eventually to tariffs between states?

This is not a plea against states' rights. I recognize also the value of having the states act as laboratories, in which types and principles of legislation can be tested before they are accepted or rejected on a nation-wide basis. But we must distinguish between exercise of states rights which may be sound and those which may be unsound.

We have had a nation of forty-eight states. Are we becoming, instead, forty-eight nations? Do we want that to develop?

Henry H. Heimann

Executive Manager, N.A.C.M.

What would federal licensing mean to business?

by C. F. BALDWIN, Washington Representative, N. A. C. M.

To relieve business of oppressive and increasing bureaucratic control, to apply the broad principles of democracy to business enterprise and to remove unsound and destructive trade practices—these are the principal objectives ascribed to the pending federal licensing bill by Senator Joseph C. O'Mahoney, author of the original bill and co-author of the pending bill with Senator William Borah.

Pointing to the increasing complexity of our economic organization, the growth of great corporate enterprises and the accompanying social and economic problems, Senator O'Mahoney explained that this bill seeks to solve many of these problems at the point of organization of the corporation, and by the manner of organization, instead of permitting the difficulties to develop and then restrain them by controls and regulations likely to hamper and complicate the healthy progress of business enterprise.

Rigid and arbitrary control over business by means of various administrative agencies created to handle a given problem will lead almost inevitably, he said, to inequities or favoritism as well as unnecessary disturbance of business. Abolition, at the source, of the causes of those problems will, Sen. O'Mahoney believes, give more real freedom to business and more economic democracy to the country.

The question of government regulation or control of business is in the forefront of discussion in Washington and throughout the country. Recent statements of the President and government officials regarding anti-monopoly activities by the government have further stimulated interest in the matter. Probably no other major national issue is in greater need of clarification, both with regard to the economic and social requirements of the country and with regard to the intent of the Administration.

The purpose of this article is to explain one legislative proposal to deal with the matter which has aroused interest throughout the country and which should be clearly understood by business men.

This brief article is not intended to be either a detailed analysis of the bill or a partisan appraisal of it. It is intended to direct attention to a legislative proposal which has important implications and deals with a subject of the greatest importance to business men. The bill should be studied carefully by all business men so that they may be able to make a fair appraisal of it and to understand its philosophy.

The writer has discussed the bill with Senator O'Mahoney and feels quite certain that both Senator O'Mahoney and his co-author, Senator Borah, would welcome expressions of opinion from business men who have carefully studied the measure and who could appraise the bill in the light of practical business experience.

This bill is, of course, definitely related to the whole question of an anti-monopoly program by the government, which has gained renewed prominence in recent weeks by reason of Administration statements. The subject is still clouded in uncertainty, however, and the confusion has been accentuated by the lack of agreement in official quarters concerning the best approach to the problem.

One group apparently favors a frontal attack on "bigness" in business as the most effective solution.

Another group sponsors a sort of cooperative regulation of business in a manner somewhat resembling the basic principles of the N. R. A.

The third group—like the second—recognizes the inevitability of great corporate enterprises but, unlike the others, advocates the adoption by Congress of definite regulations applicable to corporations which, upon conformance to those requirements, would be given a maximum of free competitive action and a minimum of interference by governmental agencies. The federal licensing bill is the legislative expression of the theory of the latter group.

A comprehensive general statement of the purposes of the original Borah-O'Mahoney bill was presented to the Senate by Senator O'Mahoney when the bill was introduced in November. That statement said, in part:

"This bill is a combination of the separate measures we had each previously offered. It is an attempt to reduce to simple terms is a federal statute the principle that since the Constitution of the United States gives to the federal government the power to regulate commerce among the states, and since this commerce is now chiefly carried on by artificial agencies called corporations, the powers, functions, and duties of these agencies should be prescribed by the federal government.

"The bill, therefore, requires all corporations engaged in interstate or foreign commerce to obtain authority from the federal government in the form of a federal license. The measure does not authorize any federal functionary to impose discretionary conditions upon business. It is intended to be a self-enforcing law.

"The sponsors of the bill are firmly of the opinion that its adoption would stabilize and stimulate commerce throughout the United States. It would make practically impossible the corporate violation of the antitrust laws, which has been the chief cause of the concentration of economic power and wealth.

"It would protect the investing public by making it impossible for any corporation hereafter to indulge in the principal practices by which the investor has been exploited.

"It would improve labor standards and benefit labor by prohibiting child labor and

discrimination against women, and by guaranteeing the right of collective bargaining.

"Because it would prevent combinations in restraint of trade and conspiracies to monopolize trade before the offenses were committed, instead of ineffectively seeking to punish such offenses after they have been committed, it would prevent the manipulation of prices to the disadvantage of the consuming public.

"On the theory that the United States is in as great need now of an economic constitution as it was in 1787 of a political constitution, this measure directs the Federal Trade Commission to call within 90 days after the enactment of the measure a national industrial conference to make recommendations to Congress and to draft a thoroughgoing federal incorporation law."

The original Borah-O'Mahoney Bill, introduced in November, provided for an expansion of the Federal Trade Commission from five to nine commissioners. It authorized the Commission to make recommendations to Congress for the stabilization of the basic industries, to call an industrial conference and to recommend to Congress minimum wage legislation when the Commission found that abuses in the form of low wages existed.

On February 19, however, a revised bill was introduced in lieu of the original text. Four principal changes have been made in the revised Borah-O'Mahoney Bill.

First, all corporations having gross assets of only $100,000 or less are exempted from the provisions of the bill.

Secondly, the power of the Federal Trade Commission to revoke licenses for violation of the provisions set forth in the bill is vested solely in the courts. (The Federal Trade Commission may after holding hearings on charges of alledged violation of the Act, notify the Attorney General concerning its findings and opinions. The Attorney General would then institute legal proceedings designed to bring about a revocation of the corporation's license.)

Thirdly, the revised bill specifically sets forth that no unlawful trust or combination shall be entitled to a license.

Finally, the provisions of the old bill expanding the membership of the Federal Trade Commission and directing it to make an immediate study of economic conditions with a view to recommending a stabilization program have been eliminated.

In the section dealing with the issuance of licenses to corporations the bill requires the licensee to file with the

Senator Joseph C. O'Mahoney of Wyoming, who with Senator Borah of Idaho, is co-author of the licensing bill.

Commission a complete statement of its corporate organization and its financial status, as well as a certificate of its intention to abide by all acts of Congress. The Commission is authorized to deny the application for a license to a corporation failing to comply with those requirements. Such a denial order, however, would be subject to judicial review.

One section of the bill deals with labor and fair trade conditions. It would prohibit child labor and discrimination against female employees and require the recognition of collective bargaining. It also authorizes the Commission to prohibit dishonest or fraudulent trade practices which have been defined in the courts.

Various provisions of the bill are designed to protect investors by prohibiting certain corporate practices which the bill characterizes as unsound. One section would in effect make every director of a corporation a trustee for the benefit of his stockholders. Another section would create a system of accredited corporation representatives, whose functions, among other things, would include the protection of the interests of small stockholders.

(*Continued on page* 34)

Federal licensing: opening wedge?

The chief objection to the pending proposal to require Federal licensing of corporations doing an interstate business is that it would almost certainly furnish an opening wedge for the gradual extension of Federal control over all aspects of business activity, an editorial in the New York "Journal of Commerce" declares.

Once Federal licensing is provided for, Congress would have a very easy means of enforcing all kinds of new types of business regulation. It would merely have to provide the penalty of cancellation of the license for non-conformance to assure rigid adherence to any measure it is pleased to enact. Wages and working conditions, trade practices, safety and sanitary requirements and all other aspects of business activity could thus be controlled in meticulous detail and on a nation-wide scale, without provision for exceptions.

The change in the complexion of the Supreme Court would make a Federal licensing statute all the more serious from this point of view. Business enterprises can no longer count upon judicial protection against the use of this device as an opening wedge for imposing a wide variety of oppressive Federal regulations upon the conduct of their affairs.

There may well be certain aspects of business regulation that could best be conducted through Federal incorporation. Thus, the establishment of uniform standards for accounting and capitalization practices, as is desired by the Securities and Exchange Commission in order to further its regulation of the over-the-counter markets, could best be effected through Federal licensing of all enterprises doing an interstate business. Once this were done, however, there would almost certainly be constant additions to the list of conditions attaching to Federal licenses.

As long as Congress is in its present temper, it is safe to say that no licensing measure could pass that would include rigorous restrictions upon the conduct of private enterprise. However, a bill that (*Cont. on page* 34)

Small business recommendations

FRED ROTH, Past President of the N.A.C.M., who was Chairman of the recent Conference of Small Business

Culminating the recent Conference of Small Business in Washington, D. C., a committee of 12 presented a series of suggestions to President Roosevelt. The committee was chairmanned by Fred Roth, President of The Whitney-Roth Shoe Co., Cleveland, Ohio, who served the National Association of Credit Men as President from 1934-1935.

In its report to the President, as read at the White House by Past President Roth, the committee said:

Small businesses still do more than half of the total volume of business in the United States. They are still the preponderant factor in the maintenance of employment. They operate to stabilize our economic life through a wider diffusion of activity. They contribute to an equalization of value throughout the nation through widespread maintenance of local markets, and they and their families and employees constitute a major portion of our national purchasing power.

We present, therefore, a series of suggestions for your consideration:

1. In the matter of finances, we make these recommendations:

a. Enable the American Banking System to make insured loans for all necessary purposes.

b. Set up a government agency to render this service wherever financial institutions are unable or unwilling to function.

c. Modify the capital gains tax to give the taxpayer credit for loss years against years of gain.

d. Repeal the undivided profits tax.

e. Modify Securities Exchange Commission's regulations to increase the amount of exemption to $500,000, but require reasonable information for protection of investors.

2. We urge the encouragement of the investment of private capital in new enterprises.

3. We ask that employer and employee alike be held responsible for the faithful observance of mutual labor agreements.

4. We urge that governmental expenditures be curtailed and the budget balanced as soon as possible.

5. We urge the immediate institution of a campaign to stimulate business.

6. We recognize that social reform is necessary as a part of progress but urge that it not be so rapid as to disrupt industry.

7. We urge that relief administration and responsibility be returned to local communities as rapidly as possible.

8. We urge that the government continue to cooperate with business.

9. We urge that the government abstain from granting advantages or special favors to non-profit organizations either directly or indirectly.

10. We urge that it be considered unfair trade practice for firms, corporations or governmental units to sell to employees in competition with business.

11. We approve the principles of the Robinson-Patman and Miller-Tydings Acts.

12. We approve the principle of the State Fair Trade Practice Acts and urge approval of legislation designed to curb destructive competition of chain stores.

13. We urge the strengthening and enforcement of all laws seeking to curb monopolies.

14. In the matter of Social Security and Unemployment taxes:

a. We favor the simplification of detailed forms in connection with the social security tax.

b. We recommend the reduction of unemployment taxes in stabilized industries where now exists justifiable employment experience.

15. We question the merit of a standard wage and hour bill because of geographical differentials.

16. We recommend that an immediate investigation of the administration of the Wagner Labor Relations Board be made.

17. We urge the approval of the Wagner-Steagall Housing Act and the encouragement and extension of home ownership by making loans for owner residence at a rate as low as 3½%.

18. We urge that the government confine its direct home building activities to slum clearance projects by means of assistance to local housing authorities by the United States Housing Authority.

19. We strongly urge that Works Progress Administration labor or money shall not be used for building purposes.

20. We endorse the principle of installment selling, but urge adherence to sound business practices in such sales.

21. In the matter of taxation:

a. We urge the simplification of the taxation forms so that they shall be more easily understood and less expensive in preparation.

b. We recommend broadening the income tax base.

c. We oppose (*Continued on page* 31)

The changing consumer

by KARL D. REYER, Professor of Management and Merchandising, Louisiana State University.

Man is said to be a creature of habit. No one, however, would deny that the twentieth century individual leads a different life from that of his forefathers. The present-day consumer is a complex mixture of likes and dislikes, a person who is greatly affected by, and who in turn affects, the industrial, commercial and political activities of the times.

The industrial development of the United States in the past three or four decades is so well known that it will not be discussed here. Industrialization effects the consumer both as a worker in industry and a user of the products of industry. Improved methods, the mechanization of industry, controlled or adjusted production, and the desires of the workers themselves have resulted in fewer hours of work for the producer. As a domestic consumer of time and labor-saving machinery, such as automobiles, vacuum cleaners, washing machines and other equipment, he (or she) has still more time free to devote to other activities.

Industrial development has been accompanied by changes in the occupations of the people. New callings have appeared, while older ones disappeared. The automobile, for example, has resulted in a tremendous number employed not only in its manufacture but also in such service activities as garages, filling stations and auto supply stores. As the accompanying table (Table 1) indicates, the proportion of people engaged in agriculture and the other extractive industries, has decreased, while those in manufacturing, transportation, trade and other occupations have increased.

With the foregoing remarks as a background, let us analyze some of the characteristics of the new type consumer. It must be observed, however, that all individuals are not affected equally, and that while the general condition of business determines consumer choice, yet certain changes in consumer habits are apparent. Some of these are:

1. The consumer is interested in recreation, both indoor and outdoor. The "new leisure" has created a place for time-consuming activities and a consequent demand for certain types of goods and services. One writer* divides the expenditures made for recreational purposes into the following: (1) Recreation products, such as private aircraft, ammunition, athletic equipment, musical goods, photographic supplies, toys, trunks, etc.; (2) services, such as admissions of theatres, club dues, tennis and golf fees; and (3) travel. The total expenditures amounted to 8.12% of the national income in 1935.

The public playground movement has increased tremendously. Bowling is estimated to have 10,000,000 regular participants, while 6,000,000 people obtain fishing licenses annually. The resulting demand for sporting goods is readily seen, as each participant requires more or less equipment.

2. The new consumer is a club member. True enough, club memberships dropped during the depression. Yet the drop in memberships was not as fast from 1932 to 1936 as from 1929 to 1932.† Some years ago the General Federation of Women's Clubs estimated their combined membership at two and a half million women, who belonged to 14,000 member clubs. Although difficult to estimate, the influence of the club on consumer purchases cannot be overlooked. Take a bridge club made up of several foursomes of women. The home must have tables and chairs, utensils and dishes for making and serving refreshments, and, furthermore, the clothing, furniture and household equipment of any one member must equal that of the other members. "Keeping up with the Jones family" is a powerful influence in buying mechanical refrigerators, ranges, davenports, chairs, and a host of other articles. Even the refreshments served influence food purchases, while the various prizes call for special sections in the gift departments of large stores.

3. The new type consumer is interested in his or her personal appearance and in the development of personality traits. This interest is reflected by the publication of such magazines as Esquire, Mademoiselle, The Bachelor Girl, Charm, and others. Books on etiquette and how to win friends enjoy tremendous sale, and thousands of women have enrolled in "charm" correspondence courses. Clothing, cosmetic, book, jewelry, and other industries are the beneficiaries of consumer concern about personal development.

4. The new type consumer is interested in hobbies. Examples of hobbies are the craze for the candid camera, the miniature railroad (toy trains), stamp collecting, model building, and other types of home craftsmanship. While perhaps a child of the depression rather than a hobby, contest participation has reached such a stage that some magazines are solely devoted to contest techniques and to information about new contests.

5. The new consumer has new dietary habits. The emphasis in diets is no longer as much on calories as it is on vitamins. Mechanization, requiring less energy intake per capita, and education, advising the use of fresh fruits and vegetables, has resulted in a shift in types of food consumed. The per capita consumption of heavy foods has decreased. The annual per capita consumption of beef dropped from 67.8 pounds in 1900 to 50.1 pounds in 1930. Cereal products fell from 350 pounds in 1889 to 230 in 1927. On the other hand, in 1931 the railroads hauled 10,000 cars of spinach, as against 2,500 cars in 1921, and 55,500 cars of lettuce in 1930, to 13,500 in

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* *Weinberg, Julius. "Economic Aspects of Recreation,"* Harvard Business Review, *Summer 1937, pp. 448-463.*

† *"Club Comeback,"* Business Week, *June 27, 1936, p. 20.*

Table I—Occupations of gainful workers, 10 years old and over, for the United States

Occupation	1930		1920		1910	
	Number	%	Number	%	Number	%
Total	48,830	100.0	41,614	100.0	38,167	100.0
Agriculture	10,472	21.4	10,666	25.7	12,388	32.5
Forestry & fishing.........	251	0.5	270	0.6	242	0.6
Extraction of minerals......	984	2.0	1,090	2.6	965	2.5
Manufacturing & mechanical industries	14,111	28.9	12,832	30.8	10,657	27.9
Transportation & communication	3,848	7.9	3,097	7.5	2,665	7.0
Trade	6,082	12.5	4,258	10.2	3,633	9.5
Public service	856	1.8	738	1.8	432	1.1
Professional service	3,254	6.7	2,171	5.2	1,711	4.5
Domestic & personal service	4,952	10.1	3,380	8.1	3,756	9.9
Clerical occupations	4,025	8.2	3,112	7.5	1,718	4.5

Source: Bureau of the Census, Census of 1930, Vol. 4, page 6.

1920.* 165,251 cases of tomato juice were produced in 1929, 5,000,000 in 1933.† In Texas the canned grapefruit industry jumped from nothing to $750,000 in four years.‡

Another aspect of the consumer eating habits is that reflected by the practice of "eating out." In 1933 the receipts of 200,335 eating and drinking places were $1,429,938; in 1935, 251,473 establishments took in $2,390,860.§ To the conservative restaurant of 1900 has been added the soda fountain luncheonette, the tea room, the hamburger stand, the wayside eating place and others.

6. The new consumer is interested in getting his money's worth and in spending his money wisely. For some years home economics education has been a definite part of the school curriculum. In rural sections, home demonstration agents influence the type of products bought by the farmer's wife. Such books as "Your Money's Worth," "100,000,000 Guinea Pigs" and others have played their part. Consumer education is a topic frequently discussed by women's clubs. The federal government sponsors a publication called "The Consumer's Guide." Department stores and magazines are contributing to the analysis of consumer education and shaping their policies accordingly. Consumer interest in product grades is reflected by the descriptive labels being adopted by canners and manufacturers.

Many consumers have adopted the practice of budgeting their income and expenses. Financial institutions and consumer credit companies distribute many guide books on the preparation of household budgets. One oil company has distributed nearly two million budget booklets in the past five years.

In addition to the changes taking place in the consumer preferences, certain population changes are taking place. These changes will vitally affect many business concerns. For a number of years the rate of population growth in the United States has been decreasing; one statistician believes that the population will reach a maximum of 145,000,000 in 1960, or perhaps sooner.* This fact is of considerable significance to these industries which have depended upon an increased population to absorb increased production. With a static population total demand may prove constant, and until the population becomes static the proportional demand for different products is affected. In the United States the elementary schools have nearly a million fewer pupils in 1937 than in 1930.† Decreased demand for food, especially dairy products, and clothing for young people must follow, unless standards of living are greatly increased.

The Bureau of the Census estimated that in 1935, 17.5 per cent of the population was under 10 years of age. In 1930 the percentage was 19.6; 1920, 21.7; 1910, 22.2, and in 1900, 23.7. On the other hand, those above 60 were estimated to be 9.1 per cent in 1935; 8.7 in 1930; 7.6 in 1930; 6.9 in 1910 and 6.8 in 1900. The median age in 1850 was 18.8 years; in 1880, 20.9; in 1900, 22.9; in 1910, 24.0; in 1920, 25.2; in 1930, 26.4, and in 1935, 27.6 years.

This higher average age means, in addition to the changes in the youth market, a prospect of rigidity in consumer buying. Having passed the "age of accumulation," and possessing new attitudes and interests, it may be increasingly difficult in the future to mold rapidly consumer opinion toward this article or that, inasmuch as the mass mind will be older and more set in its ways.

Child labor

Child labor in the past 10 years has fluctuated directly with business conditions except when legal restrictions, either State or Federal, have been drastic enough to close practically the whole labor market to children under 16. In those areas where the State minimum-age standard was not raised during 1936, the number of children 14 and 15 years of age leaving school for work during the last 6 months of that year increased almost 50 per cent as compared with the last 6 months of 1935. On the other hand, in the two States, New York and Rhode Island, where a basic 16-year minimum age went into effect by State law during the year, there was a decrease of 94 per cent in the number of children under 16 going to work in occupations for which employment certificates were required. The laws of 38 States will permit children of 14 or 15 years of age to leave school for work. These and other facts regarding employment of young workers are brought out by a report prepared by the Children's Bureau showing the number of children going to work annually.

* *Blair, Milton J.,* The Current Trend in Food Advertising.

† Time, *June 18, 1934, p. 60.*

‡ Domestic Commerce, *August 30, 1937, p. 105.*

§ Census of Distribution: 1935. *Retail Distribution, Vol. III, pp. 11 and 280.*

* *Cf.* Domestic Commerce, *February 9, 1932, p. 32.*

† *Cf. study made by Dr. Rufus D. Smith, provost of New York University.*

Checking the other fellow's insurance

by CLARENCE T. HUBBARD

The linking of credit and insurance, as inseparable twins of the economic world, is not a new suggestion. Credit managers have been alert to the importance of insurance protection, as one of the factors, in the formation of a base on which to sustain credit. The shortcomings have been in the application of the necessary insurance details in tying insurance in with credit.

Merely to say to your customers, to whom you have extended credit, "Now make sure that you are properly insured," and then to let it go at that, is superficial. Insurance has become as complicated as some of the congressional bills which even the proponents seem to have difficulty in interpreting. The complexities of insurance, even though every effort has been made to simplify, are the result of the many state laws which exist and which produce a conglomeration of insurance requirements so that the insurance carriers have difficulty in shaping their contracts in any streamlined appearance. The fire insurance policy, one of the oldest of all the established standard insurance contracts, is quite obsolete. Concentrated effort has been put forth, and still is, to revise this contract, but the barriers yet to overcome to produce the changes desired, will require many months and perhaps several years to work out.

Just as it is important to have a competent attorney to interpret the legal snarls in your industry, so it is equally as important to have a properly qualified insurance representative to interpret and *apply* the various needed insurance contracts. You, as a credit manager cannot devote the time necessary to acquire all of this information yourself, excepting in the very largest firms where professional insurance managers are maintained. Even they are at some disadvantage in keeping up to the minute on all the important insurance changes.

The manufacturer and his credit problems are diverse and the insurance background which is so essential can only be administered by a very competent insurance man. Industry is up against some very peculiar insurance requirements. So far, the best plan for checking an insurance program and maintaining its efficiency has been through what is now generally known, by nearly all credit managers, as an "insurance survey" or risk analysis. To merely have your various policies recorded, along with their expiration dates, their amounts and terms, is not sufficient, although that by itself is one big step forward; but in addition, the person who prepares the survey must be qualified in possessing insurance knowledge, a practical knowledge that will make certain that these coverages are properly applied and in the most economical way and that there are no unusual hazards in the industry which have not been considered for insurance protection.

For instance, a soy bean mill might be thoroughly insured in every way with the exception of legal liability property damage insurance. Should an explosion occur, as they have in the past, and damage a great deal of property exposing the mill and there is no insurance against such claims, the credit of such a mill can be very greatly weakened if the claims go against the industry. A food manufacturer without products legal liability is running considerable credit risks. When prices were at their peak before the present recession and industrial plants were behind in their orders, industrialists who did not carry use and occupancy insurance were facing a weakened credit exposure in the possible shut-down of their plants from some hazard which could be insured and the interruption in the earnings would have been considerable because of the delay in obtaining new machinery.

In one instance, the important insurance coverage might be electrical machinery break-down insurance. In another instance, it might be explosion or general liability, or in some sections of the country, earthquake. In the early stages of the oil burner, we know one manufacturer who went into bankruptcy because he did not have smoke or smudge insurance which, by the way, is now included, without additional cost, in the "new extended coverage endorsement" which can be attached to a fire insurance policy.

The employee or official in charge of credit extensions for a manufacturer, in order to produce the most efficient and economical insurance program should — (a) centralize his insurance responsibilities for analysis and supervision with one competent source (even if insurance policies are distributed

among several agents and brokers).

(b)—Review all insurance contracts and insurance problems periodically. I have seen many insurance squabbles and subsequent confused loss adjustments because a manufacturer insisted on dividing his insurance among several agents and brokers because of personal acquaintances, or on account of political reasons, or due to customer influence. It is not always feasible for a manufacturer to place all of his insurance through one agent and broker, although this is the present day trend and a happy one if the particular insurance representative is chosen on the basis of his qualifications to intelligently handle these problems.

A number of large insurance buyers have found it worthwhile to concentrate their insurance responsibilities with one agent *and/or* broker though not always giving this one particular representative all of the insurance to place himself. It is frequently found necessary to distribute policies among other agents and brokers—but the insurance responsibilities nevertheless, can be centralized with one person. The real intelligent and most satisfactory way, then, is to have at least a monthly appointment with this representative whereby in conference the credit manager, and the insurance agent, would get together, whether there was any insurance problems or not, and go over the insurance coverages, because there are new changes almost monthly in insurance rules and coverages.

The selection of this particular representative should be made rather carefully. In the first place, the broker or agent so selected regardless of his personality, should be one who has proven himself to be an insurance student and somewhat of an insurance technician. He must know and understand the various insurance coverages, and be able to interpret their application intent and loss service. He should be up to date on all policy changes as far as possible. It is almost impossible today to discover any insurance student who is completely up-to-date on everything going on in the insurance world. The different insurance coverages have become too specialized to permit this.

If possible, the chosen agent or broker should be one who has taken an insurance course in addition to his own experience — either by correspondence or an attendance to the classes which are conducted by the larger insurance companies, and also by some of the smaller ones, or through one of the extension courses in the various colleges. This training, plus actual experience, aided by a natural mind for insurance, and the willingness to study, will produce a competent insurance agent or broker. He should subscribe to two or three of the leading insurance journals and read them regularly. He should have contacts with insurance companies which to some extent go out of their way to furnish educational material. He should be a reader of insurance books and if possible, a subscriber to one of the services, which, in loose leaf form, publishes a complete and up-to-the-minute description of all insurance coverages. In addition, the agent or broker should have personal contact with various insurance companies which enabled him to have the right-of-way to confer with underwriters, adjusters, lawyers and officials. These qualifications, as comprensive as they are, are most important when the credit manager *is relying on someone else* for the information which he does not have the time himself to master. These qualifications are not always found in the largest insurance producers — sometimes the so-called little agent or broker is fully as competent as one maintaining a larger organization. A check-up of qualifications along the lines indicated will prove worthwhile.

Furthermore, the credit manager, or the insurance manager, or whoever is designated to keep an insurance eye open, in connection with credit dealings, should have some general insurance contacts direct, such as an acquaintance in the insurance industry, and furthermore, a subscription to an insurance journal or two, and even attendance to a regional insurance convention, would be worthwhile.

Even if these insurance contact suggestions aren't immediately attained, there is hardly any excuse for a credit man having insurance responsibilities, for missing the insurance educational opportunities being offered under the sponsorship of the National Association of Credit Men. A definite program has been mapped out for educating credit men on matters of insurance. The plan is to arrange for qualified speakers on insurance subjects to appear before gatherings of credit men in the nature of "insurance forum meetings." In addition to the main insurance lecturer, other insurance representatives will be present to answer questions from the floor. This will prove educational and very interesting. I recall one rainy evening, addressing a woman's club in a small New England town, where they kept me busy for two hours, answering intelligent inquiries regarding insurance. Therefore, credit men can look forward to this forum type of meeting with enjoyment, as well as anticipation of practical benefit.

Moreover, at the National Conventions of the Association of Credit Men, an insurance group meeting is always a feature. Credit men should plan to attend these group meetings, where up-to-the-minute insurance information can be absorbed. The value of these educational opportunities is demonstrated in an actual experience occurring in this year of 1938. A special insurance representative, not particularly attractive in his personality, but a "whizz" in his knowledge of the line he was representing, was consulting with the proprietor and manager of a large establishment, controlling several locations.

"You are only 60% insured to value," stated the insurance man. The proprietor denied this, hit the ceiling, and called for his credit man and office

manager. "But I don't know anything about insurance—you personally arranged for these policies!" exclaimed the accused person. And he was right. It was the proprietor's fault. Then the proprietor turned to him and said—"And why don't you know something about insurance?" That man can find his answer by attending some of the insurance forum meetings being planned by the National Association of Credit Men.

Insurance mistakes are very costly. They do not result from ambiguity in the insurance contracts as much as they do through carelessness and lack of understanding on the part of insurance agents and brokers. It is an extremely technical business and requires much study. The insurance companies themselves are giving fully as much time to insurance education as they are to insurance salesmanship.

A lawsuit developed in a sum exceeding a million dollars in connection with a so-called reporting cover contract. Monthly values had been reported, for two million dollars, but the limit of liability in the policy was one million dollars. No one had notified the insurance company to increase the limit of liability under its policy. What a credit exposure this oversight represented.

It is impossible for you, as a manufacturer, to dictate the insurance policy of your customers, but your credit manager can inquire as to whether the customers to whom you extend any credit have an insurance program, and if so, how is it being administered.

In some instances it might be wise to ask your customer to let you see his "insurance survey"—usually in typewritten or card form—and to go over this survey or insurance analysis, and in some instances even consult with your own insurance broker in endeavoring to determine whether your customer's insurance is properly arranged. If there is no insurance survey available, or even if there is—you can use to perfect advantage the "insurance statement blank" as drawn up and made available by the National Association of Credit Men, for the use of its members in checking customers' insurance coverages. On this printed blank, your customer fills in the replies to fifteen listed items, relative to the fire insurance carried on buildings, merchandise, machinery, fixtures, and so on. This

blank goes into the question of business life insurance and how it is drawn up. Whether fidelity bonds are arranged. This blank, aside from giving you this important information, produces a good psychological reaction on the customer and assists a step further in promoting the thought association of insurance as a backlog in supporting credit.

Following is a general list of insurance coverages which a manufacturer should consider on his own plant, and which can be used as a general guide in checking up the insurance carried by customers to whom credit has been extended—but I want to reiterate that in investigating the insurance needed to protect credit, the mere checking up of the number of policy coverages is not sufficient—*their application to the business is equally as important.*

- Manufacturers Public Liability
- Manufacturers Property Damage Liability
- Contractual Liability — (Meaning where the property owner has assumed liability in relation to sidetracks, power lines, gasoline pipe lines, water mains)
- Elevator Liability
- Teams Liability
- Automobile, Truck, Trailer and Hired Car Liability
- Non-Ownership Automobile Liability (To insure against claims when employees use their own cars in pursuit of company business)
- Automobile Fire, Theft, Collision, and Property Damage Insurance
- Workman's Compensation
- Fire Insurance on all Buildings
- Fire Insurance on all Machinery, Equipment, Stock and Improvements and Betterments
- Fire Insurance on Stock Stored away from the Premises
- Business Interruption Insurance Against Interruption to Earnings by Fire
- The Attachment to all Fire Policies of the Extended Coverage Endorsement, which Provides Insurance Against Hail, Tornado, Explosion, Riot and Aircraft Property Damage (Or if risk not eligible to this group contract—then separate policies protecting against hazards named)
- Water Damage, and Water Damage Legal Liability Insurance
- Sprinkler Leakage
- Electrical Machinery Breakdown
- Steam Boiler Insurance
- Flywheel Insurance
- Earthquake Insurance
- Safe Burglary Insurance
- Messenger Robbery Insurance
- Inside Robbery Insurance
- Paymaster Robbery Insurance
- Fidelity Bonds
- Forgery Bonds
- Vandalism and Malicious Mischief
- Motor Truck and Cargo Insurance

The above list represents more or less standard coverages, but in addition there are other important insurance contracts, which, under certain circumstances, are very important in the protection of credit extensions.

- Builder's Risks
- Leasehold
- Profits and Commissions
- Deferred Payment Insurance
- Plate Glass Insurance

(*Continued on page* 39)

Bill to reorganize Bankruptcy Act progressing in Congress

by the HON. WALTER CHANDLER, author of the Chandler Bankruptcy Bill

In his splendid work on "Bankruptcy in United States History", Charles Warren says that "Bankruptcy is a gloomy and depressing subject", and that "the law of bankruptcy is a dry and discouraging topic". Therefore, I approach the writing of this article with the certainty that it will confirm Mr. Warren's statement.

Nevertheless, those whose business and professional contacts bring them in daily touch with the operation of the National Bankruptcy Act of 1898 will be interested in the bill in Congress to revise and modernize the statute whose basic principles are forty years of age.

Any intention to "count chickens before they hatch" is strenuously disclaimed, but the bill pending in the Senate is making definite progress, and its sponsors believe that, before the adjournment of the Seventy-fifth Congress, the proposed National Bankruptcy Act of 1938 will be a reality after years of hard and patient struggle.

Whatever the outcome, Congress, the Bench, the Bar, the creditor, the debtor, the law text writer, the law school instructor, the economist, and the public generally have abundant reason to be indebted to the Conferees of the National Bankruptcy Conference for their unselfish efforts toward enacting a statute designed to bring up to date the bankruptcy law of our Country.

Congress having the duty to provide for the people of the United States uniform laws on the subject of bankruptcy, the present bill is the evolution of an almost constant demand since 1926 for revision. In the investigations conducted by the Donovan Committee and by Solicitor General Thatcher and his staff, and in the hearings on the Hastings-Michener Bill in 1932, the glaring defects of the statute were brought vividly to light, and the general plan of modernization is based on those revelations and on the experience in the actual functioning of the present law.

The frame work of the original seventy-two sections of the Bankruptcy Act (except Section 12) was used for the super-structure, and exact phraseology has been continued wherever pos-

Fees and Expenses of Administration for Bankruptcy Proceedings Concluded After Declaration of Bankruptcy During the Fiscal Year 1937, Classified by Amount Gross Assets Realized

	Total, all cases	"Nominal asset" and "no asset" cases	"Asset" cases—Classification by amount of gross assets realized						
			Total in all "asset cases"	$1-$500	$501-$1,500	$1,501-$5,000	$5,001-$10,000	$10,001-$50,000	Over $50,000
Number of cases	55,115	42,396	12,719	7,411	2,257	1,762	599	539	151
Gross assets realized (less expenses conducting business):									
Total	$63,996,811.91	$512,318.34	$63,484,493.57	$1,050,680.51	$2,055,507.74	$4,858,090.18	$4,214,155.87	$11,407,659.86	$39,898,399.41
Average	1,161.15	12.08	4,991.31	141.77	910.73	2,757.15	7,035.32	21,164.48	264,227.81
Fees and expenses paid:									
Total	15,387,708.34	496,276.92	14,891,431.42	767,099.17	1,042,316.49	1,844,263.46	1,340,828.54	2,906,253.12	6,990,670.64
Average	279.19	11.71	1,170.80	103.51	461.82	1,046.69	2,238.44	5,391.94	46,295.83
Classification of payments:									
Receivers' fees	542,392.84	10,223.68	532,169.16	10,388.96	35,774.60	80,709.00	59,916.30	121,985.39	223,394.91
Trustees (excluding filing fees)	1,305,038.78	2,248.91	1,302,789.87	59,675.19	101,516.84	169,106.80	113,555.46	246,825.00	612,110.58
Attorneys for:									
Petitioning creditors	365,258.54	619.59	364,638.95	9,205.45	36,295.37	72,396.53	59,156.85	79,717.23	107,867.52
Receivers	592,791.09	115.85	592,675.24	8,112.59	31,587.56	80,524.16	59,685.37	139,205.67	273,559.89
Trustees	3,366,285.03	2,383.15	3,363,901.88	127,108.64	201,546.87	397,492.56	305,249.32	806,483.79	1,526,020.70
Bankrupts	725,159.43	3,652.75	721,506.68	91,083.55	108,469.41	146,052.03	87,032.21	130,517.13	158,352.35
Referees:									
Commissions and fees (including special master, excluding filing fees)	641,376.28	46,984.11	594,392.17	30,652.84	37,508.42	63,575.10	48,022.45	117,744.02	296,889.34
Travel expenses	21,750.80	6,728.55	15,022.25	3,875.86	2,902.92	3,516.22	1,355.38	2,362.72	1,009.15
Other expenses	1,011,821.67	400,579.67	611,242.00	159,561.43	100,230.48	113,788.81	62,197.12	93,322.51	82,141.65
Auctioneers' fees and expenses	268,463.12	378.00	268,085.12	13,456.37	36,694.25	74,026.55	48,735.12	66,977.16	28,195.67
Rent (occupation after bankruptcy)	1,715,089.40	919.57	1,714,169.83	20,463.45	59,916.30	108,772.68	73,834.09	90,824.63	1,360,358.68
Appraisers' fees, expenses	332,295.04	2,018.38	330,276.66	41,677.24	44,715.96	62,903.45	38,318.89	68,489.89	74,171.23
All other expenses	4,499,986.32	19,424.71	4,480,561.61	191,837.60	245,157.51	471,399.57	383,769.98	941,797.98	2,246,598.97
Total expenses	15,387,708.34	496,276.92	14,891,431.42	767,099.17	1,042,316.49	1,844,263.46	1,340,828.54	2,906,253.12	6,990,670.64

sible, with a view to retaining the benefits of the accumulation of interpretative law relating thereto. Wherever provisions have worked well, they have been retained, but each section has been analyzed to bring it into accord with the best features of present day business and commercial practices, and it cannot be said that the re-write of the Bankruptcy Act is merely a face-lifting operation.

New and revised definitions have been incorporated, overlapping of the third and fourth Acts of Bankruptcy has been eliminated, and the fifth Act of Bankruptcy has been enlarged to curb receiverships which have been wasteful and inefficient, and have re-

Bankruptcy Proceedings Concluded During the Fiscal Year 1937, by Type of Case, Liabilities, Assets Realized, and Payments Made by Occupational Group

	Total	Farmers	Employees, professional men	Others not in business	Merchants	Manufacturers	Others in business
Cases concluded without declaration of bankruptcy:							
Number of cases:							
Composed (sec. 12)	247	5	5	4	150	27	56
Composed (sec. 74)	170	2	56	2	65	16	29
Extended without liquidation (sec. 74)	436	1	349	53	9	1	23
Amount of debts:							
Composed (sec. 12)	$6,619,075.66	$26,084.01	$79,657.57	$102,198.83	$4,015,092.24	$911,036.75	$1,485,006.26
Composed (sec. 74)	3,024,117.18	65,426.62	66,388.68	283,604.05	1,090,655.10	501,790.03	1,016,162.70
Extended without liquidation (sec. 74)	7,268,321.14	4,522.43	3,763,385.21	1,854,349.98	163,307.10	6,703.72	1,476,052.70
Amount paid or to be paid:							
Composed (sec. 12)	1,747,485.47	9,627.89	14,566.92	22,097.23	1,222,522,04	216,318.97	262,352.42
Composed (sec. 74)	1,126,509.57	15,984.40	52,556.76	274,484.70	310,238.49	136,088.48	337,156.74
Cases concluded after declaration of bankruptcy:							
ASSET CASES							
Basis of proceedings:							
Voluntary	10,761	854	4,144	579	2,767	351	2,066
Involuntary	1,958	5	29	20	970	342	592
Type of bankrupt:							
Individuals	9,990	846	4,157	572	2,624	148	1,643
Partnerships	631	8	11	11	344	64	193
Corporations	2,098	5	5	16	769	481	822
Status of bankrupt as to assets:							
Having gross assets of—							
$1 to $250	5,890	348	3,459	318	832	81	852
$251 to $500	1,521	125	324	72	614	49	337
$501 to $1,500	2,257	180	206	89	1,092	130	560
$1,501 to $5,000	1,762	143	121	67	766	196	469
Over $5,000	1,289	63	63	53	433	237	440
Total asset cases	12,719	859	4,173	599	3,737	693	2,658
Amounts of liabilities, by nature:							
Secured	$222,589,136.84	$7,290,513.57	$34,668,553.47	$13,802,322.89	$31,120,058.65	$15,438,273.35	$120,269,414.91
Priority (allowed)	10,389,621.65	418,670.95	471,513.18	306,074.94	2,562,377.56	1,360,324.15	5,270,660.87
Unsecured (allowed)	288,073,260.31	5,506,989.10	37,133,414.17	9,077,791.94	65,401,506.84	42,298,809.92	128,654,748.34
Unsecured (not proved)	135,139,022.82	3,490,443.46	38,330.999,98	5,995,450.02	19,528,834.19	6,367,320.52	61,425,974.65
Total liabilities in "asset" cases	656,191,041.62	16,706,617.08	110,604,480.80	29,181,639.79	118,612,777.24	65,464,727.94	315,620,798.77
Amounts of disbursements, by type:							
Payments:							
On account exemptions	$237,878.25	$23,401.35	$46,225.24	$15,006.68	$107,221.33	$5,940.11	$40,083.54
To secured creditors	13,338,115.85	854,481.70	360,875.87	375,919.38	2,188,376.61	1,470,258.71	8,088,203.58
To priority creditors	5,641,103.70	190,365.24	112,007.39	69,242.09	1,597,054.03	1,880,619.53	1,791,815.42
To unsecured creditors	28,733,187.40	409,209.27	651,444.19	328,617.51	14,571,655.48	4,173,181.60	8,599,079.35
Other payments, balances	642,776.95	60,732.45	33,990.94	9,766.14	207,639.26	127,521.71	203,126.45
Total payments	48,593,062.15	1,538,190.01	1,204,543.63	798,551.80	18,671,946.71	7,657,521.66	18,722,308.34
Fees and expenses of administration	14,891,431.42	334,413.27	586,606.30	215,618.50	6,181,032.49	2,421,073.97	5,152,686.89
Gross assets realized (less expenses of conducting business), equal to total disbursements	63,484,493.57	1,872,603.28	1,791,149.93	1,014,170.30	24,852,979.20	10,078,595.63	23,874,995.23
"NOMINAL ASSET" AND "NO ASSET" CASES							
Basis of proceedings:							
Voluntary	42,258	1,621	33,663	3,286	1,091	109	2,488
Involuntary	138	2	4	10	59	9	54
Type of bankrupt:							
Individuals	42,036	1,611	33,645	3,277	1,037	98	2,368
Partnerships	218	11	21	14	66	5	101
Corporations	142	1	1	5	47	15	73
Status of bankrupt:							
Pauper cases	5,963	104	5,180	427	87	8	157
Other "no asset" cases	36,433	1,519	28,487	2,869	1,063	110	2,385
Total "no asset" cases	42,396	1,623	33,667	3,296	1,150	118	2,542
Amounts of liabilities, by nature:							
Secured	$192,050,858.78	$6,028,098.31	$76,292,241.58	$34,418,117.64	$6,673,713.34	$895,568.46	$67,743,119.45
Priority (allowed)	2,212,043.59	139,361.46	672,914.99	391,194.40	228,162.14	64,305.21	716,105.39
Unsecured (allowed)	73,393,225.61	2,098,862.18	42,980,347.23	9,687,212.20	3,142,893.38	432,088.15	15,051,822.47
Unsecured (not proved)	300,941,909.21	7,692,167.97	156,405,865.62	48,801,606.15	9,491,254.08	2,121,128.62	76,429,886.77
Total liabilities in "no asset" cases	568,598,037.19	15,958,489.92	276,351,369.42	93,298,130.39	19,536,022.94	3,513,090.44	159,940,934.08
Amounts of disbursements:							
Fees and expenses of administration	$496,276.92	$22,044.63	$370,449.22	$40,794.87	$23,156.98	$3,194.56	$36,636.66
Other disbursements	16,041.42	100.90	10,911.53	2,553.71	1,494.71	....	980.57
Total disbursements in "no asset" cases	512,318.34	22,145.53	381,360.75	43,348.58	24,651.69	3,194.56	37,617.23

All figures from report of U. S. Attorney General

Bankruptcy Proceedings Concluded after Declaration of Bankruptcy During the Fiscal Year 1937, With Assets Realized and Payments Made, by Judicial Districts

Judicial districts	Number of bankruptcy cases concluded after granting of petition: Total	Number of bankruptcy cases concluded after granting of petition: "No asset" and "nominal asset" cases	Number of bankruptcy cases concluded after granting of petition: "Asset cases"	Assets, payments, and expenses in "asset" cases: Gross assets realized less expenses of conducting business	Assets, payments, and expenses in "asset" cases: Administrative fees and expenses	Assets, payments, and expenses in "asset" cases: Net assets available for distribution	Payments made: On account exemptions	Payments made: To secured creditors	Payments made: To priority creditors	Payments made: To unsecured creditors	Payments made: Other payments, balances	Distribution of assets realized in "nominal asset" and "no asset" cases: Gross assets realized less expenses of conducting business	Distribution of assets realized in "nominal asset" and "no asset" cases: Administrative fees and expenses	Distribution of assets realized in "nominal asset" and "no asset" cases: Other payments
Alabama:														
Northern	1,848	1,785	63	$454,993.79	$43,760.05	$411,233.74	$1,925.00	$283,725.19	$21,364.72	$104,198.76	$20.07	$6,477.23	$6,320.75	$156.48
Middle	265	229	36	337,006.24	62,268.30	274,737.94	962.88	128,008.26	58,485.90	79,919.97	7,360.93	4,032.70	706.34	3,326.36
Southern	134	126	8	60,641.27	3,751.34	56,889.93	1,000.00	3,681.08	1,235.03	46,593.54	4,380.28	3,149.84	1,342.99	1,806.85
Alaska:														
First division	5	5										55.50	55.50	
Second division	1		1	1,505.00	654.69	850.31				850.31				
Third division	3	3												
Fourth division														
Arizona	72	21	51	108,898.39	38,276.46	70,621.93	145.96	40,352.08	8,029.19	21,710.69	384.01	440.52	435.44	5.08
Arkansas:														
Eastern	129	67	62	321,790.35	69,321.18	252,469.17	966.48	37,042.15	28,261.73	184,666.50	1,532.31	851.75	851.75	
Western	53	41	12	27,106.85	6,858.70	20,248.15		1,948.34	3,419.05	14,878.32	2.44	1,122.73	1,122.73	
California:														
Northern	1,751	1,244	507	1,167,340.05	312,961.26	854,378.79	1,082.73	372,289.48	77,377.40	400,572.80	3,056.38	16,480.37	16,374.63	105.74
Southern	2,153	1,344	809	2,146,377.37	754,850.78	1,391,526.59	3,353.47	238,732.83	219,087.34	914,536.67	15,816.28	20,770.93	20,770.93	
Colorado	356	322	34	365,626.44	36,843.74	328,782.70	565.00	229,646.23	19,717.25	66,016.55	12,837.58	11,127.25	9,928.10	1,199.15
Connecticut	858	559	299	565,785.86	193,056.15	372,729.71	148.77	61,203.15	79,163.92	227,001.20	5,212.67	8,824.88	8,824.88	
Delaware	33	9	24	65,650.30	20,576.66	45,073.64		27,196.62	5,504.54	12,309.66	62.82	175.65	175.65	
District of Columbia	82	52	30	49,386.47	14,350.97	35,035.50		1,947.35	6,477.52	26,414.21	196.42			
Florida:														
Northern	10	3	7	7,193.29	3,350.36	3,842.93	1,731.95	1,811.70	99.16	200.12		74.00	74.00	
Southern	157	101	56	409,329.50	81,198.78	328,130.72	953.70	147,702.24	50,842.17	128,012.61	620.00	2,385.45	2,324.80	60.65
Georgia:														
Northern	959	931	28	706,838.81	109,974.00	596,864.81	1,113.40	447,530.46	29,856.04	118,089.52	275.39	4,568.19	4,568.19	
Middle	213	177	36	362,377.24	39,762.26	322,614.98	7,291.92	284,621.82	17,482.52	13,131.07	87.65	1,543.91	1,378.10	165.81
Southern	140	99	41	81,733.44	23,180.09	58,553.35	3,958.94	38,477.68	13,526.69	2,217.33	372.71	1,270.77	1,262.00	8.77
Hawaii	119	72	46	7,612.86	3,579.60	4,033.26		170.92	2,310.00	1,552.34				
Idaho	90	79	11	10,820.72	3,728.34	7,092.38	136.60	160.71	206.59	5,766.34	822.14	2,149.34	1,610.81	538.53
Illinois:														
Northern	2,786	2,118	668	3,245,518.45	881,338.92	2,364,179.53	17,031.53	241,735.70	312,292.79	1,778,406.24	14,713.27	1,290.00	1,290.00	
Eastern	310	173	137	406,734.07	58,617.02	348,117.05	2,092.95	145,230.10	29,706.52	168,894.93	2,192.55	2,470.96	2,470.96	
Southern	885	715	170	1,163,286.70	161,726.69	1,001,560.01	11,029.14	691,914.52	74,445.80	220,263.54	3,907.01	10,744.20	10,693.91	50.29
Indiana:														
Northern	211	167	44	331,136.70	151,883.62	179,253.08	4,368.65	37,563.99	32,973.13	103,144.55	1,202.76	4,924.20	4,924.20	
Southern	171	125	46	378,640.25	69,216.55	309,423.70	9,487.33	51,422.21	34,726.73	208,464.08	5,323.35	2,757.45	2,757.45	
Iowa:														
Northern	140	112	28	151,998.55	20,101.22	131,897.33	14.02	98,606.76	9,300.33	23,976.22		2,367.54	2,367.54	
Southern	284	199	85	558,094.55	67,028.30	491,066.25		196,249.01	141,039.29	148,714.11	5,063.84	4,812.72	4,798.06	14.66
Kansas	350	239	111	319,348.85	127,813.90	191,534.95		48,920.59	53,382.95	88,869.34	362.07	2,662.70	2,662.70	
Kentucky:														
Eastern	348	201	147	320,673.68	32,103.14	288,570.54	5,029.99	209,586.06	29,331.15	43,625.58	997.76	4,723.80	3,722.40	1,001.40
Western	821	701	120	269,211.78	53,302.78	215,909.00	1,463.11	110,664.40	45,157.97	58,617.12	6.40			
Louisiana:														
Eastern	202	99	103	94,579.25	31,787.71	62,791.54		43,145.46	10,244.44	8,991.64	410.00	1,173.60	1,173.60	
Western	127	66	61	374,453.85	34,808.89	339,644.96	1,875.00	205,887.30	27,651.99	104,014.46	216.21	873.23	873.23	
Maine	561	469	92	63,843.10	18,400.39	45,442.71	39.62	1,085.94	5,476.44	38,753.63	87.08	4,850.08	4,850.08	
Maryland	343	228	115	360,592.52	90,981.89	269,610.63	5,357.83	36,014.62	36,574.17	184,258.68	7,405.33	2,996.65	2,996.65	
Massachusetts	1,499	1,076	423	1,326,255.69	394,323.88	931,931.81	592.95	210,676.69	92,403.73	624,549.29	3,709.15	20,742.58	20,742.58	
Michigan:														
Eastern	2,285	1,747	538	2,438,653.49	865,543.42	1,573,110.07	11,389.31	544,165.45	265,439.59	705,710.44	46,405.28	43,705.22	43,705.22	
Western	489	416	73	533,219.66	255,973.09	267,246.57	3,345.90	26,228.87	42,825.94	194,755.37	90.49	8,389.45	8,389.45	
Minnesota	1,316	872	444	934,818.84	339,529.77	595,289.07	460.83	93,174.10	69,045.60	428,407.54	4,111.00	9,038.95	9,038.95	
Mississippi:														
Northern	60	35	25	90,255.72	13,499.33	76,756.39	4,499.73	48,089.06	6,113.78	18,029.65	24.17			
Southern	136	98	38	76,114.42	12,148.00	63,966.42	963.60	36,504.22	12,145.35	14,216.25	47.00	1,436.28	1,436.28	
Missouri:														
Eastern	413	314	99	365,706.25	110,823.59	254,882.66	18,914.41	39,896.28	36,432.49	144,194.08	15,445.40	14,190.37	13,035.43	1,154.94
Western	714	558	156	2,128,770.60	264,956.12	1,863,814.48	7,424.82	46,631.53	44,217.03	1,748,361.65	17,179.45	5,540.00	5,540.00	
Montana	141	122	19	114,653.17	25,444.03	89,209.14		45,082.51	30,626.11	10,854.70	2,645.82	1,544.87	1,503.59	41.28
Nebraska	246	147	99	442,454.10	91,823.03	350,631.07	9,047.30	64,077.45	41,063.99	216,589.28	19,853.05	3,503.17	3,503.17	
Nevada	18	12	6	6,113.39	2,280.29	3,833.10		49.55	1,532.60	1,859.48	391.47	262.85	247.50	15.35
New Hampshire	94	44	50	50,181.83	14,675.46	35,506.37	590.00	3,723.48	6,698.35	24,410.56	83.98	1,322.25	1,255.72	66.53
New Jersey	1,940	1,156	784	1,215,047.99	463,642.86	751,405.13	3,960.19	129,435.01	136,827.58	447,025.64	34,156.71	29,435.50	29,433.90	1.60
New Mexico	27	19	8	18,694.41	3,160.05	15,534.36		11,344.37	3,031.79	1,158.20		158.38	158.38	
New York:														
Northern	1,545	1,231	314	561,190.29	206,677.35	354,512.94		61,558.58	68,873.08	215,139.73	8,941.55	8,678.41	8,678.41	
Eastern	2,362	2,004	358	2,081,066.25	1,191,906.50	889,159.75	8,151.92	28,408.04	74,443.53	740,052.04	38,104.22	30,375.00	30,375.00	
Southern	2,752	2,071	681	17,930,446.62	3,663,493.82	14,266,952.80	1,000.99	600,278.67	675,757.59	12,830,422.60	159,492.95			
Western	1,607	1,327	280	672,682.64	188,466.70	484,215.94	43.25	149,770.60	92,991.95	227,806.61	13,603.53	15,052.23	15,052.23	
North Carolina:														
Eastern	220	121	99	263,534.81	53,885.50	209,649.31	2,087.80	72,840.73	34,304.12	97,343.36	3,073.30	2,082.12	1,927.35	154.77
Middle	53	23	30	1,835,824.89	53,128.92	1,782,695.97	4,978.15	69,257.11	1,042,699.08	665,569.51	192.12	496.99	496.99	
Western	77	32	45	143,719.20	31,754.28	111,964.92	1,760.08	61,123.09	18,706.58	28,382.74	1,992.43	691.54	691.54	
North Dakota	48	43	5	4,642.08	1,451.43	3,190.65		830.15	952.74	1,407.76		986.50	986.50	
Ohio:														
Northern	5,113	4,458	655	2,101,340.18	642,497.08	1,458,843.10	14,451.49	853,199.76	187,159.55	387,697.46	16,334.84	65,842.40	63,421.49	2,420.91
Southern	2,217	1,968	249	1,373,869.33	233,515.80	1,140,353.53	15,371.89	527,012.61	97,831.94	498,110.12	2,026.97	17,074.67	17,074.67	
Oklahoma:														
Northern	241	217	24	155,075.37	50,952.62	104,122.75		6,109.13	15,531.19	82,416.13	66.30	7,541.39	7,538.14	3.25
Eastern	83	52	31	48,259.97	12,186.63	36,073.34		21,867.57	7,660.70	6,460.75	84.32	1,277.90	1,154.38	123.52
Western	169	130	39	69,112.54	18,361.72	50,750.82		13,712.47	9,789.38	27,195.72	53.25	4,837.83	4,290.12	547.71
Oregon	1,119	947	172	66,842.77	27,986.69	38,856.08	1,602.58	5,024.11	13,211.37	18,886.64	131.38	6,998.76	6,903.19	95.57
Pennsylvania:														
Eastern	649	278	371	1,400,754.40	486,007.60	914,746.80	11,991.57	147,553.16	171,382.47	574,542.45	9,277.15	14,125.09	13,821.96	303.13
Middle	252	20	232	2,804,629.92	174,756.96	2,629,872.96	2,207.37	2,257,281.14	221,540.38	143,295.64	5,548.43			
Western	392	129	263	930,128.42	335,162.05	594,966.37	5,848.85	61,032.71	143,574.90	370,638.21	13,871.70	1,719.51	1,719.51	
Puerto Rico	28	2	26	80,860.58	24,588.10	56,272.48		5,201.00	38,565.04	11,939.97	566.47	100.00	100.00	
Rhode Island	171	77	94	95,338.95	18,388.08	76,950.87		3,765.27	12,943.66	58,020.56	2,221.38	2,292.15	2,292.15	
South Carolina:														
Eastern	27	17	10	54,991.99	9,987.83	45,004.16		15,245.87	6,135.91	12,280.31	11,342.07	182.56	182.56	
Western	39	15	24	82,307.98	12,535.06	69,772.92	2,434.73	10,122.36	15,774.47	40,529.52	911.84	172.70	157.35	15.35
South Dakota	61	43	18	40,243.73	9,568.99	30,674.74	858.00	10,305.79	3,436.76	15,965.15	109.04	1,142.52	1,142.52	
Tennessee:														
Eastern	1,644	1,389	255	443,256.34	119,940.38	323,315.96	509.06	28,812.04	84,938.33	204,886.92	4,079.61	4,213.41	4,177.94	35.47
Middle	654	323	331	132,168.64	19,272.12	112,896.52	3,143.61	82,904.73	4,703.41	10,555.85	11,588.92			
Western	576	508	68	161,619.10	32,255.34	129,363.76	975.28	20,206.72	10,768.58	91,851.26	5,561.92	2,587.22	1,807.61	779.61

Judicial districts	Number of bankruptcy cases concluded after granting of petition			Assets, payments, and expenses in "asset" cases								Distribution of assets realized in "nominal asset" and "no asset" cases		
							Payments made							
	Total	"No asset" and "nominal asset" cases	"Asset cases"	Gross assets realized less expenses of conducting business	Administrative fees and expenses	Net assets available for distribution	On account exemptions	To secured creditors	To priority creditors	To unsecured creditors	Other payments, balances	Gross assets realized less expenses of conducting business	Administrative fees and expenses	Other payments
Texas:														
Northern	180	80	100	$567,828.85	$108,970.37	$458,858.48	....	$137,563.70	$73,532.28	$232,519.74	$15,242.76	$1,890.88	$1,869.12	$21.76
Eastern	85	22	63	193,654.79	23,628.16	170,026.63	....	126,234.52	9,870.03	32,365.82	1,556.26	411.15	411.15	....
Southern	94	31	63	347,759.49	54,825.52	292,933.97	....	176,322.65	23,160.75	92,916.86	533.71	619.59	619.59	....
Western	135	53	82	811,799.20	81,349.05	730,450.15	8,028.63	646,472.73	7,283.61	66,561.12	2,104.06	417.02	386.60	30.42
Utah	208	177	31	6,555.19	3,107.33	3,447.86	156.24	....	140.97	3,150.65	....	4,206.72	3,997.16	209.56
Vermont	107	77	30	29,517.71	8,226.13	21,291.58	980.92	2,704.54	2,259.99	15,275.83	70.30	1,618.72	1,618.72	....
Virginia:														
Eastern	1,489	1,299	190	191,730.87	40,325.45	151,405.42	756.68	88,847.18	17,990.70	43,756.76	54.10	9,896.11	9,896.11	....
Western	824	714	110	195,835.11	28,693.73	167,141.38	953.47	87,561.17	16,701.09	60,608.58	1,317.07	5,171.31	5,171.31	....
Washington:														
Eastern	235	205	30	101,843.55	11,756.19	90,087.36	920.62	21,697.77	2,931.95	24,084.83	40,452.19	2,153.42	2,153.42	....
Western	675	624	51	134,400.17	51,631.17	82,769.00	295.00	4,762.58	7,555.53	68,074.84	2,081.05	5,968.22	5,901.73	66.49
West Virginia:														
Northern	367	281	86	505,117.74	67,224.82	437,892.92	392.15	304,786.04	20,863.13	102,912.57	8,939.03	4,238.99	4,238.99	....
Southern	471	378	93	296,219.03	42,942.97	253,276.06	723.81	95,138.33	12,981.32	144,097.28	335.32	7,427.69	5,979.28	1,448.41
Wisconsin:														
Eastern	1,307	1,155	152	1,251,599.01	215,336.11	1,036,262.90	1,035.66	631,623.33	96,632.64	299,979.06	6,992.21	5,134.50	5,134.50	....
Western	442	332	110	286,447.58	54,478.96	231,968.62	1,813.35	137,534.38	21,724.08	56,050.01	14,846.80	1,580.00	1,580.00	....
Wyoming	49	45	4	3,212.19	970.26	2,241.93	....	....	644.53	1,591.68	5.72	1,695.11	1,629.09	66.02
Total	55,115	42,396	12,719	63,484,493.57	14,891,431.42	48,593,062.15	237,878.25	13,338,115.85	5,641,103.70	28,733,187.40	642,776.95	512,318.34	496,276.92	16,041.42

sulted in heavy losses to creditors.

To increase efficiency in the administration of the Bankruptcy Law, time limits have been shortened throughout, expenses have been restricted, priorities minimized, creditors' committees have been authorized, ancillary receiverships are regulated in the interest of economy, and the sections relating to claims have been recast to remove existing deficiencies.

The qualifications of Referees have been raised, their jurisdiction extended, and their duties enlarged, although their term of appointment has not been changed. Referees appointed after the law goes into effect must be members of the Bar of the District and in good standing.

It was found advisable to add amendments clarifying the provisions covering the jurisdiction of bankruptcy courts pretaining, particularly, to suits by receivers, to the determination of dower interests, the closing of dormant estates, and the removal of bankruptcy trustees. A new clause has been inserted giving bankruptcy courts the needed power to regulate the administration of equity receiverships, assignments for the benefit of creditors, etc., when superseded by bankruptcy proceedings. Unquestionably, the number of plenary suits will be reduced drastically, and the summary jurisdiction of referees has been extended very substantially.

Looking to improvement of the procedural sections of the Act, amendments have been inserted to safeguard real estate titles, permit the examinations of hostile witnesses, deal in an improved manner with proceedings for discovery, improve the practice on appeal, and toll statutes of limitation. It is unfortunate that space does not enable further explanation of these important features of the pending bill.

Experience has demonstrated that the criminal provisions of the Bankruptcy Law must be tightened in order to effect their purposes, and this has been done. Moreover, the necessity for minimizing evasions by bankrupts is being met by requiring the filing of schedules with petitions in voluntary cases, filing of statements of affairs, cost inventories, etc., the examination of bankrupts in all cases, and their apprehension and extradition.

While there are amendments restricting the acts of bankrupts who would thwart the purposes of the law, the bill recognizes that honest bankrupts are entitled to protection, as well as the full benefits of the statute. Accordingly, amendments have been accepted which eliminate the necessity for separate applications for discharge, provide for discharge from the payment of Federal taxes, provide for the payment of traveling expenses while attending examinations, and provide for the privilege of being examined out of the District by permission of the court. The preservation of the bankrupt's right to exemptions to the spouse or dependent children surviving at death is also an amendment in the interest of the bankrupt.

The discharge provisions of the Act have not been overlooked, because amendments have been proposed to require an examination of the bankrupt on every application for discharge, and the intervention of the United States Attorney by reason of the public interest in a bankrupt's discharge, as well as opposition by the trustee without authorization of creditors.

The highly technical provisions of the law relating to preferences, liens, and fraudulent conveyances, as well as the title of the trustee, have been simplified and clarified, and uniform rules have been made applicable to the liquidation of estates of bankrupt stockbrokers. The present unsatisfactory section 67 has been revised so as to include condensed provisions of the Uniform Fraudulent Conveyance Act, now in effect in many States.

Another outstanding provision of the pending bill is the partnership section, and the many defects of the present law on that subject have been remedied.

Section 12 of the Act of 1898 has been removed, and its general purposes have been incorporated into four separate chapters in order to enable the rearrangement, composition, and extension of the obligations of corporations, small business men, wage earners, and real estate equity holders. In writing Chapters X, XI, XII, and XIII, the expansive system of numbering sections has been adopted, and he who runs may read and understand them.

These Chapters having been the object of the principal (*Cont. on page* 42)

The trouble with discounts...

The cash discount is a much abused business privilege that may lose its economic value through persistent improper usage. That was the theme of an article which appeared in the February, 1929 issue of "The Purchasing Agent," by R. L. Stoughton, Purchase Manager of the Lee Spring Co., Brooklyn, N. Y.

Mr. Stoughton was one of the contributors to the January symposium "Thumbs down on Terms-chiselers!" which appeared in "Credit and Financial Management." Because of the pertinency of his remarks, nine years after they were first presented, we are presenting them in their entirety to our readers. In this article he said:

The human mind has ever been the fertile birthplace of schemes to reverse the operation of the normal economic processes of life. Although the fruition of all such attempts is doomed to prove as barren of results as the search for the fountain of youth, the quest continues unabated. The child early learns that it cannot eat its pudding and still have it. The adult later learns that it is governed by an inscrutable process of compensation by which a value given is balanced against a value received and that a value received must eventually be balanced against a value to be given.

It is not always clear what that value is to be, but this may be revealed in the light of a fuller comprehension. "For now we see through a glass, darkly; but then face to face." Consider with what ridiculous incomprehensibility, Lo, the Poor Indian, solved his problem of a short blanket.

"When Lo, the poor Indian, suddenly found his blanket too short at one end,
He sat down to think in a manner profound of a means the said shortage to end.
He pondered and thought for quite a while, 'til of wrinkles he had quite a crop,
When he suddenly rose with a triumphant smile and whacked a piece off the top.
Then with a sly nod of his crafty old head he announced, 'Now me gottem,
Poor Lo go and gettim a needle and thread and sew that piece on the bottom.'"

Like Lo, many firms today are finding their blanket of net earnings too short at one end. In fact, with increasing overhead burdens and diminishing selling prices, it might more truthfully be stated that the subsequent shrinkage in net earnings has created a shortage of the blanket at both ends. Many expedients have been devised to cope with the situation but none would so clearly repeat the fatal mistake of Poor Lo. Others would come perilously close to accomplishing the same result eventually, but for the present they would merely sew the bottom on to the top of the blanket without cutting off the lower portion.

Consider the practice now so prevalent, of adding to net earnings by deducing unearned cash discounts from the face value of invoices 30 or 40 days after the expiration of the discount period. Cash discounts are granted to encourage the prompt return of the capital involved so it may be turned over frequently. Thus it is worked to capacity, and is just as conducive to economical operation as a production machine kept constantly engaged by efficient management. Discount is the premium allowed for this contribution toward lowering the cost of production.

If the premium is now demanded while prompt return of the capital is denied, there is no contribution toward a reduction in operating costs. An expense has been added which does nothing toward increasing the capacity of the capital unit to produce. As such this expense will find its way into overhead charges where it must eventually be added to the selling price. There will also be added charges for capital accommodation which the buyer must eventually satisfy. An ample margin has generally been added to the selling price so that two per cent may be deducted when invoices are paid. A piece has been added to the top of the blanket which must eventually be whacked off the bottom, for nothing has been added to the covering capacity of the blanket.

It may be justly reasoned that one check drawn in payment of a month's invoices requires less clerical effort than several checks drawn each time an invoice becomes ten days old. There is undoubtedly a saving here. How then may this advantage be retained while still contributing toward the economic advantages associated with the largest possible production from the smallest capital consistent with safe financing?

Suppose for instance that all invoices were paid twice a month. Those received prior to the fifteenth would be paid on a date no later than the eighteenth of the same month, and those received after the fifteenth would be paid on a date no later than the third of the month following. While those invoices received during the last half of each period would be less than ten days old, many of those received during the first half of each period would be more than ten days old, and it is fair to assume that a just and workable balance would be struck.

The cash discount privilege would again become worthy of its hire. The effort to increase net earnings by taking advantage of the savings effected by periodical payment of all invoices, would be combined with a fair contribution toward the full time employment of capital, and a piece would be added to the top of the economic blanket with assurance that it would not later be cut off at the bottom.

Triangle

Time sales are not a business villain

says O. G. H. RASCH, Vice President, Auto-Lec Stores, and Sec.-Treas., Interstate Electric Co., New Orleans, La.

What's all this I hear about the merits and dangers of installment selling? About individuals mortgaging their future incomes? About penalizing good credit risks for the sake of the bad? It seems to be the favorite topic of discussion today among credit men, bankers, industrialists, socialists and writers.

"Installment selling is a vicious credit practice," some are crying. "Unsound economics." They say that it has grown to alarming proportions and warn against the stop which must be made some time . . . somewhere. Much concern is being expressed about the character of merchandise now sold on the installment plan—soft goods with little repossession value; about the size of down payments and the length of terms.

The one ray of hope which we are permitted is the definite conviction of some that these are temporary phenomena . . . likely to pass out of existence very shortly.

Let's analyze this, and see what it is all about:

First, I am one of those who believes that the real strength of our nation of 128,000,000 people or 32,000,000 families, lies not in those 300,000 families whose annual incomes exceed ten thousand dollars, but rather in those 20,000,000 families with incomes of one to five thousand and those 12,000,000 families with incomes of less than one thousand.

The families in these latter groups are of first importance. They own most of our 14,000,000 homes, our 28,000,000 automobiles, our 43,000,000 savings accounts. They comprise a vast majority of our 64,000,000 life insurance policyholders.

These people—the backbone of our nation—are deserving of, and should have, the better things in life . . . the things which heretofore have been the sole privilege of the select few with incomes in the higher brackets.

How Can They Get Them?

The theorist will say that these people should set aside, out of their regular earnings, a stipulated amount each week or month until they have accumulated sufficient funds to satisfy their needs and wants. I ask you—as a practical business man—how many can do it? How many will do it?

Of the millions who own homes, how many paid spot cash? How many did not use the installment plan . . . homesteads, loan associations or banks? I venture to say that very few indeed would own homes today were it not for the existence of the installment plan.

I ask you—of this same group of families—how many would be able to furnish their homes on a cash basis? If installment selling were abandoned, how many furniture manufacturers could stay in business? How many retailers? How much furniture could be sold? You answer me!

Then there's the automobile. Again the theorist will say that the individual should save until he can pay cash for the purchase. But—how many automobiles are sold for cash?

The great automobile industry, credited with leading the way out of the depression, would stagnate the day installment selling was discontinued. So would the allied businesses . . . oil, tires, replacements, accessories, batteries—all dependent on the automobile, together employing thousands and thousands.

The success of the mechanical refrigerator, the radio, the washing machine, the gas and electric stove, has contributed materially to the national prosperity. What would happen to these industries if we stopped installment selling?

I could go on and on, citing cases which prove that installment selling is *not* an economic evil, but a stimulus which has invigorated business and raised the American standard of living. During the period of the development of installment selling, have not our savings accounts increased? Are there not more property owners today? People who entered into installment contracts three years ago now own what they bought. Would they own them had it not been for installment selling? Then the national wealth has increased!

Alarmists say that when installment selling stops—and they imagine it has to stop some time—then someone will take a terrific loss. Let's see how this worked out during the past depression:

All of us agreed that it was the worst depression we have ever experienced, or even thought we could experience. All of us saw a drastic decline in the value of assets. Real estate took a nasty tumble. Inventories . . . well, we know what happened to prices on merchandise. We even had to wipe off some of the so-called "gilt-edged" regular old thirty-day accounts.

But — installment accounts weathered the storm! They withstood the depression as well as any other type of

asset. The word of the American people was and *is* worth more than anything else.

This is not a strange revelation to those of us who have always believed that credit is based upon confidence rather than upon actual property and financial worth. Check up on the facts. The great fortunes in this country were amassed by men whose only assets in the beginning were good character and ability. The late J. Pierpont Morgan, an astute financier if there ever was one, stated in a Congressional investigation that the basis of credit is character.

Staid credit men who pride themselves on following the example of certain economists in handling the problem solely as "value based on collateral value" overlook the equally authoritative opinions which embrace the wider outlook.

For example, John Stuart Mill has this to say:

"As confidence, on which credit is grounded, extends itself, means are developed by which even the smallest portion of capital, the sums which each person keeps by him to meet contingencies, are made available for production uses."

The celebrated economist of the nineteenth century states very clearly his belief that confidence is the leading requisite in credit, since he tells us it is on confidence that credit is grounded. Incidentally, we can also interpret installment selling as a means developed to make additional capital available for production uses.

It has been said that installment selling is an unsound practice because of the carrying or finance charge; that it penalizes those who pay promptly for the sake of those who are slow, or who do not pay at all; that economics dictate that this charge be eliminated and put where it properly belongs.

If that kind of reasoning is correct, then it is unsound to insure your merchandise and your buildings against fire. The insurance company collects premiums and agrees to pay you *if you have a loss.* Those who do not have losses are paying for those who do! Would we want to tear down our great insurance institutions on the theory that the charge should be put where it belongs?

At my present age I can obtain $10,000.00 of life insurance for an annual figure of $263.50. Assume that I subscribe today to such a policy—pay the premium, then die tomorrow. My estate would receive $10,000.00. Assume, further, that another person, the same age, takes out the identical policy, *but* pays the premium of $263.50 for thirty years. In reality, *he* is paying my estate. Is that unsound economics? Oh no, you'll say . . . that's simply an insurance plan.

That's what it is—an insurance plan. And the same idea prevails in installment selling. The carrying charge is a method of insuring accounts. The basic principle behind it is the same as that which determines insurance rates, and it's just as sound economics.

Installments are now providing more controversy and causing more thought by business men than for several years.

On the other hand, if the carrying charge imposes upon the good credit risk a penalty which should be borne entirely by the bad, it is no greater than that which he must assume when he purchases on a thirty day account. All companies set up reserves for bad debts, and this ultimately affects the selling price of the merchandise—to all customers, both good and bad credit risks.

The impression is widespread that those who understood credit—the bankers, the credit men, the "watchdogs of the treasuries"—know all that there is to know about sound economics. But our great bankers found during the depression, and they are finding today, their vaults glutted with funds, for which they are unable to provide a profitable outlet.

Maybe they think Aristotle was wrong when he said:

"For it is a man's nature that makes him trustworthy, not his wealth."

Maybe they are still working on the theory that they must have a sound economic background for a loan—"a coop of chickens as security for a dozen eggs." They are not making money. They are crying that they *can't* make money. Maybe it's government regulation. Maybe their attitude prompted the government regulation. Yet—sales finance and personal loan companies are doing an enormous business, and are reaping rich profits.

Who is wrong?

I believe that the proof of the pudding is in the eating. Are the bankers asleep? I know the people are wondering. My opinion is that they have failed to set themselves up for business in a new natural way—a modern way.

Installment financing—an American invention—is one of the fastest growing businesses in the country. Everyone who knows anything about financing and who has studied its progress . . . knows that it is one of the most profitable—and is beginning to concede that it is one of the safest.

Installment financing permits the assigning of salary and wage funds, amounting to billions of dollars. The old school argue that this is mortgaging the future income—that there is nothing stable about it—that there is no gold, no "coop of chickens," no collateral. *But*—what it does have is worth more than any of these: the word of the American people—the promise to pay.

Certain credit men, who willingly open thirty day accounts for their customers, look with horror at their colleagues who sell the same customers on the installment plan. ***Why?*** Are they concerned about mortgaging the individual's future? If they are, why do they extend credit at all? A strictly cash system would simplify matters. Then they would have no worries at all. And no jobs.

It might be interesting to dig into history and see what our forefathers thought of the thirty day account when it first came into use. An institution today, it is somewhat difficult to imagine the kind of commerce which could exist without it or its equivalent. Yet it had a beginning, of course, and my

guess is that its reception by the ultra-conservatives of that early period was none too enthusiastic. There was probably a strong hue of protest against a departure from older methods, and dire predictions involving world catastrophe. Happily for all of us, these proved groundless, and the thirty day account gradually became the accepted form of retail credit until the installment plan made its appearance.

The objection that some persons are likely to over-extend themselves, is a sound one. There are men and women who will continue to buy goods on credit until they have reached, if not disaster, at least acute financial embarrassment. But I disagree with the theory that installment selling caused the existence of such cases. They were with us before installment selling came into the picture. They are with us today—in both fields of credit. Place the blame where it properly belongs—on credit men who don't know how to open accounts or collect them.

Some economists value materials, mortgages, security, legal terms—above human nature. I would rather take the human element. Maybe I'm wrong. Maybe it is a terrible crime that some of our people can't pay their obligations at maturity . . . but I am one who believes that there are few who voluntarily don't pay . . . who voluntarily try to beat an honest obligation.

But—why become so alarmed about some individual who cannot pay a small obligation? We are not in an era where we could put him in jail. We are not in medieval days when people were in actual slavery—or do we want to keep them in *economic slavery?*

Why is there such a controversy on this point when powerful nations such as Great Britain, France, Italy and others have defaulted in their debts to America? Have we forgotten the words of Syrus, uttered two thousand years ago: "He who loses credit can lose nothing further"? Do we now declare this philosophy false? Do we consider the European nations outcasts? Do we refuse to do business with them—to sit at the conference table with them?

So far as I can learn, they still maintain their world prestige. Their representatives, their ambassadors, are received with respect, and their titled classes fought over by society. Yet—their position is worse than that of the unfortunate person who is not able to meet his small obligations. These nations not only have not paid their debts when due . . . but have made no commitments that they will *ever* pay. Some have even refused to pay, and what happens? The Government . . . the people . . . you and I—we just say: "What can be done about it?"

Then we should treat the American debtor who is unable to meet his obligations with as much consideration as we do foreign nations who refuse to pay us.

America was founded by people who

The author of this article is not disturbed by those who say: "We are mortgaging our future income!"

left Europe to escape old ideas—old methods. They wanted freedom of thought, of action. They were ambitious to go forward to new things. They didn't bring their property with them. They had little money. And—they accomplished such wonderful results through the use of *credit*—with one another—with families and friends in Europe.

Of course, had the system been ideal, there would have been no place for credit of any kind. Every transaction would have been on a strictly cash basis—gold or silver as the only medium. The simplicity, the stability, of such a system should have given it a strong appeal. But the early American settlers knew, as we know today, that the intricacies of commerce which had gradually developed, precluded the possibility of a successful cash system. Moreover, the business men among them were aware of the fact that indebtedness was their greatest tool, both in buying and in selling merchandise. Credit, a disturbing element, was an essential one. Therefore, the American people started off in debt, and they have been in debt ever since.

I wonder if those who object so strenuously to installment selling have ever realized that the government should be blamed (or praised) for its growth. The practice began years ago, and the homestead idea was in extensive use, but the government, by encouraging the banks to sell Liberty and Victory Bonds on the installment plan, gave impetus to a movement which has affected materially the lives of countless individuals.

The untouched market which was suddenly opened for the sale of millions of dollars worth of bonds, attracted the attention of business. Mass production had entered a new stage in its development. Competition was intense. Distribution had become a serious problem. And so, installment selling, with a recommendation by the government, was brought into the industrial family.

Let's consider the government now. I am not questioning the wisdom of the policies of the present administration or discussing whether they are right or wrong. For the purpose of this article, that question is not at debate. But you all know as a definite fact that the government is seriously in debt—and that the debt, some say, is reaching alarming proportions. The government is spending considerably more than it is collecting. Furthermore, it is mortgaging its future income—the income which it expects to get from you and me this year . . . next year . . . the following year, as well as the income it expects to get from our children in the years to come.

If you think it is dangerous to sound credit principles for the families with small incomes to buy on the installment plan and mortgage their futures,

then you must consider it even more dangerous for the government to do the same thing.

If you think that way, what are you doing about it? Why don't you get the government to set an example to the people? Why don't you insist that your Congressmen and Senators do something about it, or elect others who will? Why don't you discuss this with the bankers, industrialists, economists? Why don't writers dwell more upon it? Why doesn't the National Association take action, or pass a resolution that serious consideration be given to it—to solve this problem—of far greater importance than the expansion of installment selling, and a more serious menace to the economic structure of the country.

Human beings have always protested against rules, and yet they are prone to call abnormal anything which they do not recognize instantly as obeying a rule. Sometimes this is because the facts are not obvious but require investigation and study. Sometimes it is easier to jump to hasty conclusions or to echo another's opinion rather than go to the trouble of making a search for the truth; or to call installment selling "unsound economics" because it is a convenient way to evade a question.

Paul Fleming Gemmil, the distinguished professor and author, defines economics as "the science that describes man's efforts to satisfy his wants by utilizing the scarce means provided by nature." He then goes on to tell us that "science is systematized knowledge arrived at and shown to be correct by experiment and repeated observation."

Economics, then, is a science. And science is systematized knowledge. And systematized knowledge, having been arrived at and shown to be correct by experiment and repeated observation, is always subject to revision by further experiment and further observation.

If this be true, then economics is not a finished book of rules. It is a vital living thing which grows and changes. And ideas which may be regarded as economically unsound in one generation are accepted confidently in the next. Many business practices of today, other than installment selling, would have been economically unsound in 1850. They would have been ridiculous. National advertising would have been thought misleading—merchandising, as we know it today, unethical.

It must be remembered that the boundaries of man's activities were not originally set by rules. Action caused experience, which brought reflections, and, in time, rules to guide other men. These are always retained only so long as they serve man. They are always flexible enough to give way to new thought and new ideas. The boundaries are forever stretching.

Consider business as a whole today. It sells stock—obtains supplies and merchandise on credit, engages employees, borrows money, issues bonds—all mortgages on its future income. The sole motive is profit, which might be made.

What difference then, if the American people mortgage their future incomes for what they believe is a profit. Everybody's definition of profit is different. The bankers' idea may be cold dollars, but perhaps the people consider it in another light. Their profit is pleasure, convenience, the extra things which make life worth living.

Installment selling offers an opportunity for all to realize profit. The people will get theirs through the things they need and want; by furnishing them with these things, the business men and bankers can make their profits—*in dollars and cents.*

A parallel to the opposition which is being manifested in some circles towards installment selling can be found in the guilds of craftsmen and merchants who flourished before the industrial revolution. They fought against the factory system . . . the substitution of mechanical power for handicraft. Theirs were honorable professions, widely respected and sanctioned by tradition. But a new order was being born—a new idea taking hold. Progress was on the march.

Installment selling is destined as a new system to raise the living standards of the great masses and increase the prosperity of the American people. Those who understand its value in the modern economic structure will go forward. The others will stay behind.

Installment Terms Recommended by the Bureau of Insurance and Banking, Virginia

	MINIMUM DOWN PAYMENT		MAXIMUM NUMBER MONTHS	
	Conservative	*Extreme*	*Conservative*	*Extreme*
New Automobiles	33⅓%	25%	12	24
Current Model Used Cars.	33⅓	30	12	18
Older Model Used Cars..	40	33⅓	12	15
Mechanical Refrigerators..	20	10	24	36
Radios and Phonographs..	20	10	12	12
Stoves—Gas and Electric and Other	20	10	18	24
Kitchen Equipment	20	10	18	24
Laundry Equipment (Washing Machines)	20	10	12	15
Oil Burners and Stokers...	10	10	24	36
Plumbing Equipment.	20	10	18	24
Vacuum Cleaners	20	10	12	12

—*"Personal Finance News"*

10 slow pay losses

Ten hidden losses in slow charge accounts, according to Dr. Clyde William Phelps of the University of Chattanooga, in a study made for the Household Finance Corporation, are:

1. **Increased bad debt losses.**
2. **Increased bookkeeping and collection costs.**
3. **Increased interest costs.**
4. **Loss of profit-making opportunities.**
5. **Reduction of capital turnover.**
6. **Loss of customers.**
7. **Loss of opportunity to increase volume of profits.**
8. **Development of embarrassing and dangerous positions.**
9. **Bankruptcy.**
10. **Wasteful competition.**

Wholesaling's 1937 record

by J. HAROLD STEHMAN, Marketing Research Division, U. S. Dept. of Commerce.

Wholesale trade activity during 1937 reached a volume of more than 58 billion dollars. This is the highest level attained since the prosperity peak year of 1929 and represents an 11½ per cent increase over 1936.

Sales gains over 1936 were recorded in each of the seven principal types of wholesale operation with Full-Service and Limited-Function Wholesalers, who account for near 40 per cent of total wholesale trade, recording an increase of 10 per cent. Sales through Agents and Brokers, which account for one-fifth of the volume, were up 13½ per cent from the previous year.

The greatest gain by type of operation was that of 16 per cent recorded for Manufacturers' Sales Offices (without stocks) and the least improvement was shown for Chain Store Warehouses for which a sales increase of 4 per cent is shown. Chain Store Warehouses accounted for less than 4 per cent of total wholesale trade, the smallest proportion of any of the seven major types of distributors. Assemblers, Bulk Tank Stations (Petroleum), and Manufacturers' Sales Branches (with stocks) showed gains from 1936 of 13½ per cent, 12 per cent, and 10½ per cent, respectively.

An analysis of the percentages of sales made by each of the seven types of operation to total wholesale sales from 1929 through 1937 indicates some shifting in the share of business obtained by each group of distributors. It is not possible categorically to attribute too much significance to the trends shown but they must be considered in any long-range analysis of wholesale trade. There seems to have been two separate downward trends in sales of Full-Service and Limited-Function Wholesalers, one from 1929 through 1932 and the other from 1933 (but starting at a level lower than that of 1929) through 1937. A decline from about 42 per cent of total sales in 1929 to approximately 39 per cent in 1937 is shown.

On the other hand the proportion obtained by Bulk Tank Stations (Petroleum) has increased without interruption from 4 per cent of the total volume in 1929 to slightly more than 6 per cent in 1937.

Inventories now surveyed monthly

The monthly joint study of wholesalers and manufacturers sales and collections on accounts receivable, compiled by the Bureau of Foreign and Domestic Commerce in cooperation with the National Association of Credit Men, has recently been expanded to include data on wholesalers' inventories. The review of January figures, which appears in this issue of "Credit and Financial Management (pp. 52-55) is the second to include these monthly data.

These data indicate the trend of inventory position for the kinds of trade covered in the monthly bulletins and show the changes in stocks as compared with the preceding month and with the corresponding month of the previous year. The relationships between sales and stocks for those months included in each bulletin is presented in the form of a percentage ratio.

This additional inventory information should prove quite valuable and is exceptionally timely. Its reception by firms cooperating in the study and by other research people has been very gratifying.

Assemblers and Chain Store Warehouses show losses in their proportions of the total while Manufacturers' Sales Branches (with stocks) records some gain when comparing 1937 ratios with those for 1929. However, the trends during the intervening years show considerable fluctuation. Even slighter changes between the years 1929 and 1937 are noted for Agents and Brokers and Manufacturers' Sales Offices (without stocks).

Study of the estimates of sales by kinds of business within the Full-Service and Limited-Function classification, in conjunction with the monthly releases on wholesale trade, issued by the Bureau of Foreign and Domestic Commerce in cooperation with the National Association of Credit Men, reveals a number of interesting, if peculiar, crossed trends.

Most important is the fact that distributors in this group started the year 1937 well above the 1936 levels and recorded especially favorable percentage increases during the first 4 months of the year. While wholesale business during the first 6 months of 1937 was 18 to 19 per cent ahead of the corresponding period of 1936, this pace was not even approximated in the latter half of the year. During the third quarter a gain of only 5 to 6 per cent was registered and during the last months sales fell below the previous years' levels with many trades declining quite sharpley. However, no single type of operation or no single kind of business classification in the Full-Service and Limited-Function Wholesaler group showed a decline for the year as compared with 1936.

One of the most interesting comparisons which is to be derived from the figures presented in the accompanying table is the fact that wholesale sales of consumers goods increased at only about half the rate recorded for the sales of durable goods. In the aggregate durable goods sales were about 15 per cent above 1936 while sales of consumer goods were up about 7 per cent. In the durable goods group the Machinery, Metals, Electrical, and Plumbing and Heating trades all recorded an increase of 20 per cent or better, while Groceries and Foods, which is by far the most important consumer goods trade,

was only 6 per cent above the previous year. It should be noted, however, that the durable goods trade generally suffered the greater losses in the last quarter of the year.

On a regional basis all areas showed gains, the increases ranging from that of 15 per cent in the Mountain State to one of only 3 per cent in the West North Central Area. The increases for the other regions were fairly well clustered around the United States average of 10 per cent. (These figures are drawn from data reported in connection with the regular monthly trade releases issued by the Bureau of Foreign and Domestic Commerce in cooperation with the National Association of Credit Men and will not be found in the accompanying table. This applies also to the figures presented above by months and by quarters.)

All of the kinds of business shown under the Full-Service and Limited-Function Wholesalers classification recorded gains over 1936. The changes ranged from the 28 per cent increase in the relatively small Farm Supplies trade down to the 2½ per cent increase shown for the Dry Goods. Important increases were shown for the Waste Materials and Plumbing and Heating Equipment Trades with gains of 25 per cent and 24 per cent, respectively, and by the Electrical Goods and Materials Trade both with gains of 23 per cent. Other significant sales changes were: 20 per cent for Machinery Equipment and Supplies; 18 per cent for Chemicals and Paints and 17½ per cent for Farm Products (raw materials).

Of all of the kind of business classifications only two showed consistent gains throughout the year 1937 recording for each month a gain in sales over the corresponding month of 1936. These were Drugs and Drug Sundries with a 9 per cent gain for the year and Tobacco and its Products with a 5½ per cent increase. The Lumber and Construction Materials Trade, while showing a significant increase of 9 per cent for the year had fractional declines during October and November.

While the volume of trade for 1937 was 85 per cent of the 1929 peak and its most important component Full-Service and Limited-Function Wholesalers was only 78 per cent of the 1929 level, two of the major types of operation and 6 of the trade groups attained positions higher than the volumes they recorded for that peak year. Of the seven types of operations Bulk Tank Stations (Petroleum) and Chain Store Warehouses attained volume 131 per cent and 110 per cent of 1929, respectively. The Waste Materials Trade aided, no doubt, by the recent "War Scares" which greatly increased the business in scrap iron and other scrap materials and boosted their prices considerably, reached a point 27 per cent above its 1929 volume. The other 5 trades which surpassed their 1929 peaks in 1937, with the percentages of their 1929 volumes, were Electrical Goods (109 per cent), Machinery Equipment and Supplies (109 per cent), Drugs and Drug Sundries (105 per cent), General Merchandise (102 per cent) and Tobacco and its Products (102 per cent).

In presenting these estimates on total wholesale trade by type of operation and by kind of business, every effort has been made to keep the Census of 1935 classifications comparable with those for 1929 and 1933.

The scope of wholesale distribution, as defined for the purpose of the estimates presented in the attached table, embraces all establishments which were engaged in the purchase, sales, or distribution of products or goods on a wholesale basis. Wholesale sales or distribution of goods may be made to retailer, to institution, to industrial consumer, or to wholesale organization. Although brokers, commission merchants, manufacturers' sales branches, assemblers, agents, and chain store warehouses are in many respects unlike the conventional type of wholesale merchant, they do perform general wholesale functions and have, therefore, been included in the estimates.

(Data on Chain Store Warehouse sales, employment, and payrolls are presented in the special volume on Retail Chains issued by the Bureau of the Census as part of the Census of Business, 1935; also are summarized in Vol. I of the Wholesale Census, pp. 135-6).

The inclusion of chain store warehouses explains why the figures for 1935 in the attached table are not comparable with those reported by the Bureau of the Census. Aside from these changes, all tha data in the accompanying table are in accordance with the 1935 Census of Wholesale Distribution, published by the Bureau of the Census.

Footnotes to table on opposite page

1 See accompanying text for explanation of the scope of wholesale trade as considered in the preparation of the estimates in this table.

2 Figures for 1929 and 1933 are actual data taken by the Bureau of the Census and adjusted to changes in classification in the Census of Business in 1935. The years 1930, 1931, 1932, 1934, 1936, and 1937 are estimates based on trends of currently reported trade statistics.

3 Manufacturers' sales branches with stocks and those without stocks in 1929 were reported together as manufacturers' sales branches. In 1933 and 1935 they were separated by the Bureau of the Census. To make the series comparable from 1929 to 1936, estimates for each year prior to 1933 were made on a basis of the 1935 and 1933 data for the two groups in question.

4 Full-service and limited-function wholesalers, formerly designated as wholesalers proper, consists of more or less regular wholesalers in domestic and foreign trade who take title to the goods they buy and sell and are largely independent in ownership. This group embraces the following classes; wholesale merchants including jobbers; voluntary group wholesalers; converters; exporters; importers; industrial distributors; cash and carry wholesalers; drop shippers or desk jobbers; mail-order or catalog wholesalers; retail-cooperative warehouses; and wagon distributors. The definition of each class can be found in Census of Business, Volume I, Wholesale distribution, Bureau of the Census.

5 Prior to 1935 Wholesale Census, this group, aside from liquors, was included with "All other products" classification. In view of the new classification in 1935, the 1933 and 1934 data for beer, wines, and liquors were taken from "All other products" group and placed in the new 1935 classification, thus reducing "All other products" group by that amount.

6 Figures for this group have been adjusted from 1935 back to 1929 because of changes in several establishments handling gasoline. Independent distributors handling a full line of petroleum products with emphasis on gasoline were classified as bulk tank stations, while distributors specializing in oils and greases were classified as full service and limited function wholesalers. Thus the total full service and limited function wholesale sales for the entire series, with the exception of 1935 and 1936, will be reduced by the amount transferred to the bulk tank stations.

7 The 1935 total is greater than the wholesale figure released by the Census Bureau by the total for Chain Store Warehouses which was not included in the scope of the Census of Wholesale Trade. Sales of Chain Store Warehouses were included in the Census of Retail Distribution in 1935.

8 Revised figures. The data on 1935 sales of Chain Store Warehouses had not been published when the estimates were made for the year 1936.

Estimated Net Sales of Total Wholesale Trade[1] by Type of Operation and by Kind of Business for Full-Service and Limited-Function Wholesalers, 1929 to 1937 Inclusive[2]

Type of Operation and Kind of Business	(Add 000,000)					Percent change 1937 over 1936 Estimated	Percentage of 1929 (1929=100)							
	1937 Estimated	1936 Estimated	1935 Actual	1933 Actual	1929 Actual		1937 Estimated	1936 Estimated	1935 Actual	1934 Estimated	1933 Actual	1932 Estimated	1931 Estimated	1930 Estimated
Total wholesale trade	$58,300	$52,290	$44,667[7]	$31,442	$68,950	+11.5	85	76	65	54	46	51	64	83
Agents and brokers	11,930	10,500	8,908	6,283	14,257	+13.5	84	74	62	53	44	56	70	90
Assemblers	3,350	2,950	2,463	1,756	4,749	+13.5	71	62	52	40	37	48	67	84
Bulk tank stations (petroleum)	3,640	3,250	2,704	1,786	2,779	+12.0	131	117	97	79	64	68	76	86
Chain store warehouses	2,120	2,040[8]	1,864[8]	1,432	1,930	+ 4.0	110	106[8]	97[8]	81	74	80	85	90
Full-service and limited-function wholesalers	22,500	20,400	17,662	12,891	28,899	+10.3	78	71	61	51	45	46	60	80
Manufacturers' sales branches (with stocks)[3]	9,720	8,800	7,446	4,965	10,800	+10.5	90	81	69	56	46	51	56	79
Manufacturers' sales offices (without stocks)	5,040	4,350	3,620	2,329	5,536	+16.0	91	79	65	53	42	51	63	80
Full-service and limited-function wholesalers[4]—total	22,500	20,400	17,662	12,891	28,899	+10.3	78	71	61	51	45	46	60	80
Amusement and sporting goods	151	140	117	86	173	+ 7.5	87	81	68	64	50	60	70	80
Automotive	1,009	980	780	438	1,383	+ 3.0	73	71	56	40	32	29	43	65
Beer, wines and liquors[5]	928	875	699	228	—	+ 6.0	—	—	—	—	—	—	—	—
Chemicals and paints	407	345	275	225	413	+18.0	99	84	67	61	54	58	65	85
Clothing and furnishings	754	725	649	407	1,104	+ 4.0	68	66	59	43	37	45	68	91
Coal and coke	457	415	369	317	677	+10.0	68	62	55	52	47	53	67	89
Drugs and drug sundries (full line and specialty lines)	561	515	447	334	535	+ 9.0	105	96	84	76	62	71	75	80
Dry goods (full line and specialty lines)	1,163	1,135	986	845	1,714	+ 2.5	68	66	58	57	49	53	70	88
Electrical goods	923	750	577	276	847	+23.0	109	89	68	39	33	43	55	81
Farm products (raw materials)	2,110	1,797	1,562	1,240	3,698	+17.5	57	49	42	38	34	30	54	78
Farm products (consumer goods)	2,205	2,070	1,941	1,575	3,062	+ 6.5	72	68	63	62	51	49	65	87
Farm supplies	390	305	282	246	568	+28.0	69	54	50	44	43	48	60	88
Furniture and house furnishings	356	325	243	175	495	+ 9.5	72	66	49	40	35	42	67	85
General merchandise	427	405	362	175	417	+ 5.5	102	97	87	47	42	48	70	89
Groceries and foods (full line and specialty lines)	4,100	3,870	3,637	3,109	5,387	+ 6.0	76	72	68	65	58	56	65	82
Hardware	578	525	428	339	715	+10.0	81	73	60	56	47	52	69	85
Jewelry and optical goods	248	225	181	105	380	+10.0	65	59	48	31	28	34	53	72
Lumber and construction materials	736	675	492	279	1,225	+ 9.0	60	55	40	24	23	27	33	57
Machinery equipment and supplies	1,290	1,075	836	484	1,188	+20.0	109	90	70	45	41	45	50	67
Metals and metal work (except scrap)	437	355	282	159	673	+23.0	65	53	42	27	24	29	43	72
Paper and its products	521	465	409	332	704	+12.0	74	66	58	54	47	54	71	81
Petroleum and its products[6]	164	152	132	115	290	+ 8.0	57	52	46	44	40	45	62	79
Plumbing and heating equipment and supplies	410	331	243	143	498	+24.0	82	66	49	33	29	35	56	72
Tobacco and its products (except leaf)	876	830	783	526	858	+ 5.5	102	97	91	66	61	63	77	90
Waste materials	600	480	400	272	472	+25.0	127	102	85	59	58	60	65	78
All other	699	635	550	461	1,423	+10.0	49	45	39	35	32	46	57	70

FOR FOOTNOTES SEE OPPOSITE PAGE.

Prepared in the Market Data Section, Marketing Research Division, Bureau of Foreign and Domestic Commerce.

Credit and collection psychology

by E. A. WINTHER, Sec'y, 4-Drillers Contracting & Supply Co., Ltd., Long Beach, Cal.

In both credit and sales, reading of character and knowledge of human psychology are becoming of great importance — far greater than we may first realize. It is with this in mind, and with great respect for its future application, that I will try to outline a few details which can be branched out to almost untold limits and benefits.

As we all know, many business and investment houses train their men in psychology and character reading at sight before these men are "opened up" on the public. Why not the Credit Manager? Consider the usefulness of such an education and the application to his work. After all, sales and credits are mighty close in relationship.

The understanding of psychology is merely the technical knowledge of instinctive habits of thought, which is followed by action, and the proper conveyance of thought can induce this desired action. From the earliest times, human motives and thought with action have made great advances, until today the mind is stored with memories and customs by which, as a consequence, the power of suggestion moves us toward action.

Suggestion precedes action. Sometimes action is a fact without realization of thought, from a stimulus outside our own minds, and we would be astonished if told that we had been skilfully persuaded to act. Hence, if a collection letter can bring about one payment, many letters to follow can do the same thing with much more ease, as the appeal to the instinct has brought about a force of habit, which is the desired result.

It is a brilliant and inspiring exposition of the secrets of psychology when applied properly to credit and collections, and no Credit Manager can do justice to his work unless he understands some human psychology from a practical standpoint as it concerns his work. In order to fully understand human nature and the motives that cause persons to run too deeply into debt, as well as the reasons for their inability to pay their just debts, we are obliged to delve deeply into the hidden mysteries of human psychology.

Success in credit and collection is due largely to an understanding of human nature and how to deal with individuals in order to obtain the desired reaction and results. This, of course, must be coupled along with experience in that particular line of business or profession one is engaged in, and a general knowledge of successful business practice. No good credit man holds his position without first having devoted his time to study, research and experiment and this is more far-reaching than it might seem on the surface. There are no books to read to obtain this knowledge.

How to collect:

Worried with an accumulation of accounts past due from people who had apparently ceased buying, a credit man sent all of them a bill for more than double the amount owed. The plan proved unusually successful. People who had paid no attention to the correct bills wrote, telephoned, or called in person to demand an explanation, giving the credit department an opportunity to apologize for the "mistake," and at the same time to remind the debtor it was high time he paid something on the account. —American Business.

In brief, let us apply psychology to the credit man. We all know that a good credit man should have an investigative mind and should have an agreeable yet indomitable obstinacy. An investigative turn of mind indicates deliberation, vigilance, caution and sagacity. Yet courtesy, agreeableness and respect must be characteristic. Generally speaking, his results are accomplished through his patience, insistence and persistence. Sympathy and imagination are prime essentials. Of all these requirements and qualifications that must be acquired, the most important is the ability to judge human nature. Hence, this asset properly applied makes credit and collection an easy one to master.

Knowledge of human nature comes with experience, contact and application. Patience and persistence, if not already present, must be acquired and will be acquired by listening to such deferred payment excuses as the failed saving bank, the sick wife, the lost check book, the dishonest partner and thousands of other excuses.

Psychology first is needed when interviewing credit applicants, and again this education comes in for big returns when judging the course to follow in making collections. It enables one to study just how far one can go in pressing an account, when to press harder and when to relax, yet not become destructive or so lax as to lose the objective.

As an example, it is often true that many times our slow out-of-town accounts are turned over to the branch office and that office makes the call for the collection. What chance has the collector if he does not know the debtor from the standpoint of character or psychology. Chances are he will make the wrong approach, apply the wrong amount of pressure, make it necessary to make several trips. Here the credit man can outline his experience, which he found at the time the credit was applied for during interview.

The same is true of regular collection or form letters. Usually where a form letter is used the tough debtor may get a soft letter and the soft debtor get a tough letter. This, of course, can only be avoided through analysis

at the time of opening the account. Credit men know by experience that collection correspondence is a very difficult and delicate matter and it is recognized that in many cases, the hit-and-miss collection agency or collection attorney or inefficient credit manager will say the wrong thing to the debtor and then wonder why proper results are not obtained. To those who are interested in the results only, and not the method of how the collection is made as long as the money is collected, this method suffices. They evidently have but a day-to-day thought of future business.

The writer has found that most people respond to their debts in kind, to good treatment accorded them, and many a debtor has been shamed into paying his debt because of the decent treatment shown at all times. This, of course, does not apply when the debt gets beyond the collectible stage, for then one can always secure a judgment. But to collect one must have a good cause, a good counsel, a good purse, a good judge, a good jury and good luck.

Good psychology if followed through the account from the start and rightly applied will give most remarkable results. As we all know, a debtor may have the money and the ability to pay his debts, but if his mind is destructive and obstinate to the account, it is hard to make the collection, taking much of both time and money. A debtor's mental process should always be kept in a positive frame of thought for when it is there is no room for worry or discouragement.

Here we can see a debtor hard-pressed, feeling financially-depressed, receiving a letter. Which is of the more value? The encouraging one or the one that is depressing, full of threats and hard-boiled remarks? The greatest aid in collecting an account is to offer assistance and cooperation, for sympathetic understanding inspires and encourages him to put up a harder struggle to meet his difficulties.

It is, therefore, necessary to make this study at the time credit is given, so that at collection time the proper, clear and correct appeal can be applied to produce results and still leave good will and a customer for years to come.

Right thoughts should be used to bring about right ideas and emotions in order to succeed, as no constructive venture in collection or credit can come from a destructive mind and outlook. Therefore, all letters to a debtor should be constructive and create an intense will to pay. Will always finds a way. When the proper appeal is made, it follows, logically, that if the debtor is made to realize the consequences to him, his family, his business success, his good name and reputation, his credit and moral risk, and above all his conscience and peace of mind, through his neglect and failure to meet his just obligations, he cannot help but think seriously about it.

By no means create in him thoughts to cause worries and fears as it not only injures the debtor but injures the chances of collection. It can be seen here that thoughts of this kind so conveyed to the debtor act as a boomerang. Successful collection practice is largely the result of making the right appeal to the human intelligence and emotions. Often there appear in some appeals of collection letters as used by some, the conveying to the human emotions of fear, worry, anxiety, dislike, anger, terror, resentment, inferiority feelings, weakness, shock and torture. These appeals will be made through the medium of threats, force, overbearing manner, hard-boiled tactics and high-handed destructive action and with the result most generally found that the debtor is paying his debt for reasons best known to himself in spite of and not on account of the method used.

The result of all this has been that these methods and tones used have made the credit man most unpopular and there is, of course, no logical reason why the relationship of debtor and creditor should ordinarily bring about a loss of friendship or create enmities.

Under the right appeal it is natural to suppose that any ordinary human would make the proper and necessary effort to face the situation and meet his obligations to the best of his or her ability. All of these appeals may be conveyed in a series of letters in a subtle and diplomatic manner, yet without preaching. A final conclusive climax can be reached through successive and gradual steps.

Last of all, let me state that good credit men have no serious bad debt problems. Therefore, we must consider a bad debt loss to be nothing more than the result of his error in judgment. The credit manager who neglects to secure adequate credit information and who does not heed the facts in his report—thereby allowing an ineffiecient and wasteful concern to secure credit to operate—only adds to that concern's loss and failure. And as far as his own firm is concerned, his slightest misjudgment of credit and the continuation of same means but the one outcome for him—failure.

The one difference between the man who robs you and the one who does not pay his bills is this: the man who robs you of your goods does not claim to be anything else but a robber.

Inventory valuation

While dissimilar methods of valuing inventories prevail as between companies in different lines of business, and to some extent between companies in the same general lines, it may be noted that there is now a tendency among companies in similar lines to employ the same basis. However, published statements indicate a growing practice of showing parenthetically the value of the inventory at an alternative method of valuation, John L. Harvey states in "The Journal of Accountancy."

Vigorous exception must be taken to the practice which still appears to exist of valuing the inventory on a disclosed basis and then deducting a reserve. This alters the original basis of valuation and leaves the reader of the statement in doubt as to the basis of the final valuation. It would appear that some of these reserves serve merely to provide for contingencies or as a cushion against possible fall in values. This practice, no doubt, arises from the desire to be conservative but leaves such a margin for manipulation that the use of these reserves should be frowned upon.

It should be noted that the practice of using a constant price or nominal value for so-called normal quantity of materials or goods in stock is not in accord with Treasury regulations, and to the date of this writing the Department has not accepted the "last-in, first-out" method as a basis for the determination of taxable income.—"The Management Review."

"By the Golden Gate in '38"

Triangle

The upper illustrations are views of the Golden Gate Bridge, the longest single span bridge in the world.

Blank & Stoller

Hello National Association of Credit Men!

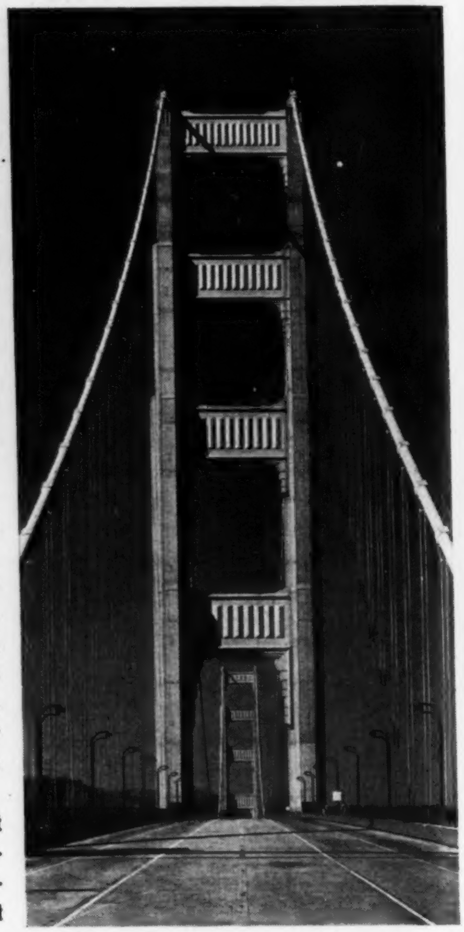
We are ready to greet you at the 43rd Annual Credit Congress, June fifth to tenth. I wish you could meet personally every committee chairman who has been appointed, to give you an indication of how thoroughly all delegates will be welcomed.

San Francisco will not only greet you with open arms but will provide a program "brimful" with educational topics and entertainment par excellence.

Without question the credit groups making up the group sessions, where credit managers in all crafts can discuss their mutual and common problems, will provide in a sense a "post graduate" course in credit management. This combined with outstanding speakers on business and economics will make this one of the best annual Credit Congresses you have ever attended.

This outstanding annual event of the National Association of Credit Men is less than ninety days away. Determine now to "pack up those troubles in the little kit bag" and smile as you set out for San Francisco in June. You will return to your desk a wiser and better-equipped credit executive.

D. I. Bosschart
General Chairman, Executive Committee
43rd Annual NACM Credit Congress



Triangle

At the bottom of this page are day and night views of the San Francisco-Oakland Bay Bridge, longest in the U. S. A., one of the longest in the world.

Triangle

Nesmith

Looking east (above) or looking west (below) the San Francisco panorama is dominated by its two recently-completed bridges and the largest man-made, artificial island in the world, on which the 1939 Golden Gate International Exposition will be held. The island, originally planned for an airport, will be devoted to that use after the exposition. These splendid aerial photographs by Roberts & Roberts are reproduced through the courtesy of the Southern Pacific Lines. In the center of the above picture and the upper right of the lower picture is a small island—famed but grim Alcatraz, one of the world's few prisons that are almost 100 per cent escape-proof.

Harris & Ewing

Mr. Pouch

These men will judge the Tregoe Essay Contest

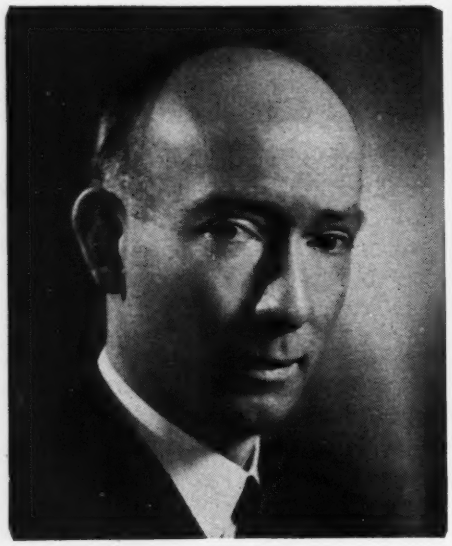
Bachrach

Mr. Golieb

Pach

Dr. Chapin

Old Masters



Mr. Weir

Kaiden

Dr. Steiner

There is still ample time to prepare a $100.00 prize-winning essay! On May 1st the Board of Judges will begin careful reading and evaluation of essays submitted.

It is a privilege to announce that the same eminently-qualified, well-experienced and deeply-interested Board of Judges functioning during the two previous contests will determine the winners again this year. They are:

Dr. William H. Steiner
Brooklyn College
Professor Albert F. Chapin
New York University
William H. Pouch
Concrete Steel Company
David E. Golieb, Treasurer
International Handkerchief Mfg. Co.
David A. Weir, Assistant Executive Manager
National Association of Credit Men

I. Who Is Eligible

For Class A prizes, any student or former student in the National Institute of Credit is eligible.

For Class B prizes, any student in the junior or senior classes of schools of commerce or business administration in recognized colleges or universities is eligible.

No employee of the National Association of Credit Men or any of its affiliated units is eligible for the competition.

II. Prizes: Class A

First: ....$100.
Second: ....$ 40.
Third: ....$ 20.
Fourth: ....$ 10.
Honorable Mention—
Fifth to Tenth inclusive: 1 copy, 1938 edition "Credit Manual of Commercial Laws," for each place winner.

Class B

First: ....$100.
Second: ....$ 40.
Third: ....$ 20.
Fourth: ....$ 10.
Honorable Mention—
Fifth to Tenth inclusive: 1 copy, 1938 edition "Credit Manual of Commercial Laws," for each place winner.

III. Essay Subjects

The choice of subject is unrestricted within the limit that it is related to some phase of credit practice or policy or shows the relationship or importance of credit to

(*Continued on page* 33)

Small business

(*Cont. from page* 8) holding companies when used for purposes of creating monopoly or tax evasion but urge differentiation in the case of holding companies which are actually operating companies.

d. We oppose a sur-tax on "small business" closely held corporations.

22. We urge that the government study means whereby American manufacturers and exporters can obtain financial aid making it possible for extension of credit to foreign purchasers of American goods comparable to credits extended by European manufacturers.

23. We realize the value of research now conducted by government agencies for the general good of smaller businesses, and believe further that there is need for an organization to coordinate and disseminate the facts of proposed and existing legislation and other matters of general interest to smaller business. We therefore recommend the establishment of a permanent Advisory Council for small business interests with equal regional representation.

We reaffirm our faith in our government and our President and we petition that these recommendations be given careful consideration and, if judged to be in the best interest of the nation, they be speedily put into effect.

We most respectfully express our belief that business will flourish when relationships between government and business are more clearly charted; when capital is available to business, bringing with it the freedom of action which only financial stability can give.

The small business men who have labored in the preparation of the accompanying reports have done so with the full desire to work in harmony with the government and in the belief that the happiness of every home and the welfare of every family rests in the hands of the business men of the nation.

Mr. President, the small business men are confidently looking to you for continued leadership.

Eye glasses with unbreakable lenses are now produced in both single and bifocal types from synthetic resinoids. —"Chemical Digest."

Paging

books

The power and the powerful

PYRAMIDS OF POWER. By M. L. Ramsay. Bobbs-Merrill Company, New York. $2.75.

One of the most encouraging signs of the better times we are enjoying is the type of current books analyzing the mistakes of the "new era." Instead of the violently antagonistic and hypercritical predilections that seem to animate writers of analyses during the depth of the depression, the new crop reveals a better balanced outlook and approach to the subject being considered. By no means should it be thought, however, that the critical tone is completely gone.

One of these sanely critical books is "Pyramids of Power" by a former newspaper man who is now connected with the Rural Electrification Administration, the REA of the newspaper headlines.

Through an exposition of the growth of the utility industry, with particular emphasis on the rise and fall of Samuel Insull, Mr. Ramsay develops an important volume analyzing the utility question from the three standpoints of private operation, public "yardstick" regulation and complete public ownership. The book deals with this current struggle for power by dramatizing the three chief exponents of the concepts of control mentioned previously: Samuel Insull, President Franklin D. Roosevelt, and Senator George W. Norris.

The author's analysis seems to be fair enough although he takes no pains to cover up indications that his own choice is for the modified program of President Roosevelt rather than the complete ownership advocated by the Senator from Nebraska and his sympathizers. In any event, it appears clear that if Mr. Ramsay had only the choice between the Insull advocacy and that of Senator Norris, omitting the compromise stand of the President, he would probably choose the Senator's camp for his affiliation.

Essentially, however, this book is less a plea for public regulation or ownership than a narrative of the utility industry's wide-spread and rapid rise, its practices, and the reversal of the attitude by a considerable portion of the public toward the utility industry in the years following 1929.

Although it is obvious that the author has worked long and hard in constructing a factual foundation, the structure he rears is no routine statistical report. By the happy choice of selecting three strong personalities, he has dramatized the issue and made of it the kind of reading that anyone with a morsel of interest in public affairs will want to examine thoroughly.

—P. H.

Credits

CONSTRUCTIVE CREDIT WORK. By M. T. D'Andrea. Published by the author, 154 Nassau Street, New York. $1.25.

Mr. D'Andrea's book is in the nature of a sermon defending and justifying the professional standing of the credit man himself, and whosoever of the general public may read it. The author exhorts credit men to elevate ethical standards, to cooperate for their common welfare, and to defend the positions gained in collection and adjustment functions. The book is instructive in a general sense.—C. H. H.

Audits

AUDITING PROCEDURE. By Paul E. Bacas, John T. Madden and A. H. Rosenkampff. Ronald Press Co., New York. $3.75.

Although designed as a college text book, this volume presents a summary of expositions of auditing procedure that will be of value to credit executives whose scope of activity includes this field of work. The authors are all connected with the School of Commerce at the New York University and thus are well qualified to present the subject to their readers.

It's what you keep that counts

PLAN YOUR OWN SECURITY. By William Law. Whittlesey House, 330 West 42nd Street, New York, N. Y. $2.00.

CONTROLLING YOUR PERSONAL FINANCES. By David F. Owens. Whittlesey House, 330 West 42nd Street, New York. $2.75.

MANAGING PERSONAL FINANCES. By David F. Jordan. Prentice-Hall, Inc., New York. $3.00.

Here are three books covering practically the same subjects in their field. All of them are fundamentally sound in covering such matters as life insurance, annuities, stocks and bonds, home ownership, will-making.

Mr. Law's book is mainly concerned with informing the reader as to how savings can be put to work through various instrumentalities.

Mr. Owen's volume opens with several chapters on such matters as financial troubles, expenditure planning, borrowing plans if such are necessary. He then devotes the second portion of his book to planning life insurance estates, home ownership, investments and speculation.

Mr. Jordan's contribution tackles the subject in a discussion that covers in a simplified way the value of money, business cycles and credit buying before branching out into the matter of investment, speculation, home ownership, estate creation, starting a business, and even a chapter on how to remit money domestically and abroad, as well as methods of safe keeping money, such as safe-deposit boxes.—A. E.

1938: Credit Interchange Year

Inflation?

INFLATION: INEVITABLE OR AVOIDABLE. By Arthur W. Marget. University of Minnesota Press, Minneapolis, Minn. 25 cents.

The question today is not "will we have inflation?" but rather "how much will we have?". In this pamphlet, one of the "Day and Hour Series" published by the University of Minnesota, the author points out that some "reflation" was necessary in 1932-1933 because of the extreme course of the 1929-1932 deflation. But, *inflation* was then and is now to be avoided. Determining the boundary line between reflation and inflation is not easy, however, and hence during the recent period of credit inflation we heard demands from the money inflationists—and still do. In the light of the renewed current interest in the subject, this thorough but non-technical analysis is well worth the necessary hour of reading time.

Costs

COST ACCOUNTING. By W. B. Lawrence. Prentice-Hall, Inc., New York. $5.00.

This is a revised edition of the book of the same title first issued in 1925 and covering every conceivable subject in this field, including illustrations of various kinds and many problems for solution in the appendix.

Contrary to the dictum of the book reviewing craft, the best way to review this book in a non-technical manner is to present some of the chapter headings as an indication of its scope. For instance, a partial list of some of the sections would include: Cost Systems and Classifications, Subsidiary Ledgers and Cost Records, Valuation of Materials, Labor Cost Accounting, Service Department Costs, Manufacturing and Distribution Expenses, Analytical and Comparative Statements, Process Cost Accounting, Standard Costs, Estimating Cost Systems, Interest on Investment, etc.

Financing

FINANCIAL DEVELOPMENT OF THE UNITED STATES. By W. J. Shultz and M. R. Caine. Prentice-Hall, Inc., New York. $5.00.

The problem of finances has been "hard nuts." But the past few years have not been the only ones in our colonial and later history in which finances have been a concern.

When a Virginia governor of years ago was short of funds and had to pay his soldiers he devalued the piece-of-eight from five to six shillings and with the surplus thus accumulated paid his troops. There is one difference between this and the 1934 devaluation of the dollar. Our devaluation profits are still a treasury asset.

For a decidedly human exposition of the details in our financial development, this book deserves praise. It covers all phases of finance, including Federal and State, currency and banking, commercial and agricultural credits.

Insurance

LIFE INSURANCE. By Mort and E. A. Gilbert. Farrar & Rinehart, New York. $2.50.

Here is an analysis of life insurance by two men active in the field. It is the kind of information that should be in the hands of insurance buyers, but whether they should act strictly on the authors' general suggestions is a matter of debate.

The authors' chief contention is that life insurance should essentially be considered in terms of estate building in case of premature death. After that, if the insurance buyer wishes to purchase the higher premium policies, such as endowment and limited payment life, he can do so. But the writers feel that he should be sure that he has low cost coverage in an adequate amount. They present certain means of analyzing needs and whether or not certain policies fill those needs.—A. E.

J. H. Tregoe essay contest

(*Continued from page* 30)

general business and economic life. Some of the winning subjects in previous years have been:

"Personal Finance Companies"

"The Use and Abuse of Credit"

"Financing Automobile Sales"

"Commercial Banks: Their Relation to High Credit Standards"

"Corporate Credit and the Revenue Bill of 1936"

IV. Basis of Awards

1. Intelligent selection of subject.
2. Evidence of knowledge of basic principles and practices in the field of credit.
3. Indication of adequate conception of the relation of credit to general business.
4. Evidence of ability to think constructively on credit problems.
5. Directness, conciseness, and coherence in method of expression.
6. Neatness and orderliness of manuscripts.

V. Announcement of Awards

The awards will be announced at the 43rd Annual Convention of the Association at San Francisco, California, in June, 1938. Announcement will also be made in "Credit and Financial Management," official publication of the Association.

VI. General Rules For the Contest

1. All manuscripts submitted must be typewritten, double-spaced, with at least one extra copy. The second copy may be a carbon.
2. The maximum length of the manuscript should be 4,000 words.
3. Those intending to compete for prizes should submit the attached blank to the National Association of Credit Men, 1 Park Avenue, New York, N. Y., before March 1, 1938.
4. All essays to be eligible for prizes must be in the National Association of Credit Men offices, 1 Park Avenue, New York, not later than May 1, 1938.

All manuscripts should be sent by registered mail.

5. Pages must be securely fastened at the top. The name and address of the contestant, together with designation of business connection or school connection, must be typewritten at the top of the first page; the name of the contestant only (for identification purposes) on the top of each succeeding page. The manuscript must be accompanied by a letter of transmittal signed by the contestant.

VII. Publication

1. The essays winning first prize in each class will be published in the official publication of the National Association of Credit Men—"Credit and Financial Management."
2. The right is reserved to publish any other of the essays submitted in "Credit and Financial Management."
3. No manuscript will be returned to the writer.

To facilitate handling of essays and preparations for the competition, the attached coupon should be sent by the entrant. Submission of the coupon is not a requirement for consideration of a manuscript but it is earnestly requested by the Board of Judges of all those intending to participate.

Mr. Carl H. Henrikson, Jr.,
Director of Education,
National Association of Credit Men,
One Park Avenue, New York, N. Y.

I desire to inform you that I will submit a manuscript in the Third J. H. Tregoe Memorial Prize Essay Competition in accordance with the contest requirements.

Name ....
Address ....
City & State..........................
School or ....
Firm ....

What licensing would mean

(*Continued from page* 7)

Hearings on the first licensing bill introduced by Senator O'Mahoney (S.10) were held in April and May last year. Among the witnesses who testified concerning the bill at that time were Professor William Z. Ripley of Harvard University, Professor Hamilton of Yale University, Dr. Charles A. Beard, John T. Flynn, writer and economist, representatives of the American Federation of Labor, some government officials and other private witnesses. Additional hearings will, of course, be held on the bill which has been introduced jointly by Senators Borah and O'Mahoney.

Among the important consequences of this bill would be the elevation of the Federal Trade Commission to a position of greater importance as a business regulatory agency through the exercise of the powers, contemplated in the bill, over the corporate structure and corporate activities. Some of the objections to the more arbitrary powers granted in the original bills have been met by the changes made in the revised bill. The bill still, however, would greatly extend the influence of the Commission. The effects of that influence would depend, of course, upon the manner in which it was exercised and upon the ability to develop the Commission to a point where it could wield such powers over the economic life of the country so as to enjoy the confidence and respect of all groups.

It is contended in some quarters that the philosophy of the entire bill implies a greatly increased control over business by the federal government. Senator O'Mahoney prefers to regard the bill as providing greater control over the corporate structure. The attitude of proponents of the measure in that regard is that such control is inevitable and that the important problem is to devise a type of control which would give maximum protection of the public interest with a minimum amount of governmental interference with business activity. No one is able to foresee, of course, whether that objective could be attained by the proposed bill without subjecting business to influences, motivated by political or other considerations, which could not be properly controlled by democratic processes and which would be detrimental to business.

In the February, 1937 issue of this magazine the writer analyzed the original O'Mahoney Federal Incorporation Bill (S.10), which has been superseded by the pending bill in its original and revised form. In that article criticism was directed at certain provisions of the O'Mahoney Bill which appeared to be either impracticable of administration or detrimental to sound credit conditions. One of the provisions criticized empowered the Federal Trade Commission to appoint a receiver of a corporation when the Commission found the corporation to be insolvent or "of such financial condition as to make its continuance in business contrary to the public welfare". Another provision which was criticized authorized the Commissioner of Corporations to receive the proceedings from the liquidation of a corporation by such receiver and distribute dividenus to creditors.

Both of those provisions were objected to on the ground that they would substitute an administrative agency of the government for the long-established judicial procedure created by the Federal Bankruptcy Law and that such a revolutionary change would not only be unnecessarily demoralizing to business but of very doubtful practical value.

Neither of those provisions is found in the pending federal licensing bill which does, however, contain several provisions which will probably receive particularly severe criticism from business men.

One is the bill's definition of "commerce" to include "the collection of raw materials and equipment in commerce . . . . for the production and the production therefrom of any article or commodity to enter the flow of, *or which affects commercial intercourse* with foreign nations or within the several states, etc., etc.".

Another is the requirement in the bill that a corporation must file with the Commission a duly authenticated certificate that it intends to engage in commerce "subject to all acts of Congress regulating such commerce . . . . . ," which might be construed by business men as a virtual waiver of the right of redress against acts of Congress which might be contested in the courts.

Another is the authorization of the Commission to obtain from licensees almost any type of data for the confidential use "of the representatives of the employees and employers", an authorization which, if not used with the utmost prudence, might do imparable and unnecessary harm to a corporation.

Thank you, Reader Esler

Sirs:

The February issue was a good one, especially the article on Field Warehousing.

Sincerely,
Joseph Esler, News Editor
Chicago News Budget Office
Chicago, Ill.

Opening wedge?

(*Cont. from p.* 7) would merely provide for Federal licensing to prohibit certain types of anti-trust law violations and to regulate corporate accounting and finance would doubtless be only a first step, as there would remain on the statute books a very easy method of achieving much broader goals in industrial planning and the regulation of industrial relations. Also, the way would be opened for the rigid application of both little and big N. R. A.'s whenever Congress and the Administration are minded to repeat experiments in code control of industry.

False alarms

The malicious practice of turning in false alarms, "Management Review" notes, continues to rank among this country's most serious threats to life and property. A recent survey discloses that from 10 to 12 per cent of the alarms in the average city are false. The average cost of answering each false alarm is $111.07; a more serious aspect, however, lies in the fact that 40 cities have reported a total of 1,744 persons injured or killed in the performance of duty while responding to false fire alarms.

"By the Golden Gate in '381"
June 5-10
43rd Annual Credit Congress

Laxity in factoring

Sirs:

The two articles on selling of accounts receivables which appeared in the February issue of "Credit and Financial Management" (p. 9 and p. 11) were of particular interest to me. Within the last month I had served on the New York County Grand Jury. And during my period of service there was brought before our body a group of cases involving grand larceny charges against local merchants. These men had violated all the codes of decency and fair play and had violated the written agreements connected with the sale by them of their accounts receivable.

I have never been engaged in a business which resorted to the sale of such accounts, nor had I ever been connected with cases such as these on previous occasions when I was on the Grand Jury. So, to me, these cases were educational. And, knowing nothing of the intricacies involved in such transactions, it seemed to me there was a certain laxity on the part of the factors in the transaction of their business.

It might be interesting to your readers to have me cite the details of two outstanding cases. My oath as a Grand Juror naturally prevents me from giving anything but the skeleton of the cases, and therefore names, amounts, dates, etc., are all fictitious.

John Jones, doing business as the A. B. C. Silk Company, telephoned to the commercial factor in the early Fall and arranged a meeting for the purpose of financing bills receivable totaling approximately $8,000. Express receipts were produced to prove shipment of the merchandise. Agreements were finally executed. The accounts were purchased.

When the first bills were due and unpaid the factor communicated with the alleged purchasers of the merchandise. It was then discovered that whereas the merchandise had actually been shipped, all orders had been fictitious and none of the merchandise kept by consignees when received.

This, then, in actual fact, resulted in a situation where the manufacturer had not only received better than $8,000 from the commercial factor, but in addition, within a period of two weeks, had also had possession of all merchandise which had been shipped. To a layman it seemed that the commercial factor had not used proper precautions before purchasing the accounts receivable.

Another case which was interesting to one not versed in the type of transaction involved concerned a cotton goods firm which had sold $5,000 of bills receivable. The contract of sale, produced in evidence, stated clearly that all payments received by the manufacturer were to be turned over in the exact form received. No check was to be endorsed and banked, but was to be endorsed and turned over to the factor.

Notice of the sale of these accounts was not served upon the customers of the manufacturer. The case came to the Grand Jury, of course, because of the fact that the manufacturer had used for his own purposes payments made by his customers and had not lived up to his written agreement with the factor.

In my opinion, commercial banking has reached a point where, I feel, notice could well be served upon each and every outstanding account that payment should not be made to the manufacturer but to the factor. I doubt whether any individual would feel this to be a reflection upon the person or firm involved, and it would, I think, do away with cases such as have been referred to above. It would be interesting to me to get the further reactions of other readers.

Yours truly,

GRAND JUROR.

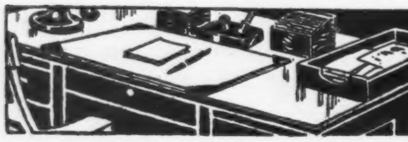
U. P. tax inequitable

Information from 360 representative concerns reflects the following attitude on the part of the average corporation towards the undistributed profits tax, Lewis H. Kimmel of the National Industrial Conference Board, Inc., recently pointed out in the Conference Board Bulletin, as briefed by "The Management Review."

The tax penalizes thrift and introduces tendencies contrary to conservative financial practice. It impairs the ability of corporations to withstand depressions. Without reserves accumulated in profitable years, corporations will reduce payrolls and dividends earlier and more drastically and thereby accentuate business decline. The surtax retards expansion from earnings. It places a premium on inactivity and constant size, and it penalizes business initiative and corporate growth.

In the interest of a well-rounded business mechanism, some corporations should disburse a larger proportion of earnings as dividends, while others should strive for a stronger financial position before distributing profits. Regulations should work both ways, but under this law dividends equal to a large share of earnings tend to be paid regardless of a company's financial position. The statute assumes a degree of uniformity among corporations which does not exist, and it is primarily for this reason that the tax is inequitable.

On offices



Loose-leaf posting file

A new Wheeldex posting unit, manufactured by Scholfield Service, Inc. at 91 Wall Street, New York City, is now available. It is compact and affords speedy access for hand posted records such as inventory records, cost cards, ledger cards and many other files where a hand posted loose leaf set-up may be needed.

"The Office" points out that the Wheeldex unit carries over 3,000 records and any card may be easily brought into position by a simple turn of the wheel from right to left just as you turn the pages of a book.

An entirely smooth-running braking device automatically holds the wheel steady for posting. The wheel is mounted at a convenient angle to the operator to facilitate posting.

The cards are slot punched and may be taken out or put in readily at any point, providing complete flexibility. Wheeldex files for reference purposes as well as for posting, are available in a wide range of sizes and unlimited capacities, their chief advantage lying in the speed, compactness and ease of handling.

Male and female job seekers

One of the most striking facts developed in an analysis of the records of the United States Employment Service is the difference in the movements of men and women on and off the office registers. The number of women seeking work fell by only 2.3 per cent during the quarter April to July 1937, compared with a reduction in the male active file of 12.3 per cent. This difference is partly due to the fact that the metal and transportation-equipment industries, which are almost exclusively male domains, enjoyed a much greater expansion of activity than the food and textile industries, which employ a larger proportion of women. But even in such industries as textiles the reduction in the number of woman applicants was proportionately less than that of men.

Transfer of filed material

A general transfer of papers from the active files to the storage files at the end of the fiscal year invites unnecessary confusion. If it is at all convenient for the office, the ideal time to transfer is during the lull right after the new year. Less trouble still is the system of transferring twice a year or using the trickle method in which inactive papers are always going into the storage files, "Management Review" points out in a digest of an article from "Office Management."

Some concerns combine active and inactive papers in the same files (for example, using the two top drawers in a four-drawer file for active papers and the bottom two for inactive papers) and such a system has great advantages when a company must refer to old papers frequently; however, this method is feasible only when the office is in a low rent area where office space is not at a premium. Other firms have found that shifting storage files to a warehouse is a practical solution to their obsolete-files problem. Many warehouse companies employ file clerks who search for any material required.

Scientific office managers have found it better to segregate and analyze all papers before they are filed. Material which has no value can be destroyed rather than placed in the files; routine letters, memos, notices may be put in a 90-day file which can be cleared at the end of this time without segregating or reading. Frequently documents could be destroyed if file clerks were given specific information about statutes of limitations and other legal measures which outmode certain papers after definite periods of time.

When the current files have been cleared, the most satisfactory plan is to put this bulk of material in a block or tier of files and mark on the files the contents and the period in which they were active.

Chain store taxes

The situation in regard to chain store taxes was brought out by Lewis H. Kimmel in a recent issue of the "Bulletin" of the National Industrial Conference Board, Inc. Some of the points, noted by "Management Review" in the author's article are that on September 1, 1937, special taxes had been imposed on chain stores by 22 states. The rates of taxation are usually graduated from a low rate for the first store, or first few stores, subject to the tax, to a much higher rate for each store in excess of a specified number. The maximum rate in any state is $750, which is imposed by Texas on each chain store in excess of fifty. In Tennessee the tax is measured by floor space rather than the number of stores. In Louisiana the tax, though levied only on the stores within the state, is based on the total number of stores both in and out of the state.

Two significant decisions of the United States Supreme Court have upheld the constitutionality of chain store taxes. The first related to an Indiana statute, in which case it was held that the separate classification of chain stores for purposes of taxation and the levying of special taxes upon them were not arbitrary. In the second decision the Court validated the unusual tax procedure of Louisiana.

There is but one logical view to take of chain store taxation. If the major objective of merchandising is to give the consumer the best possible values, then this type of tax must be regarded as economically undesirable, for it imposes an additional and discriminatory cost that tends to make impossible the achievement of this goal to the fullest extent.

Taxing earnings

The plowing back of earnings can furnish less capital today for the growth of corporations than heretofore, declares Waddill Catchings in a recent issue of "The Management Review."

In the past, possibly three-quarters of the capital added from year to year to the money used in the production of goods and services has come from the earnings of business. The growth of industry in the United States is largely the result of the plowing back of profits of successful enterprise.

The undistributed profits tax greatly reduces the amount of capital available to business from this important source. Now if a corporation plows back half of its earnings, there is available after paying the income tax and the undistributed profits tax less than 73 cents of each dollar retained. If the corporation plows back all of its earnings, there is added to capital only 68 cents of each dollar of earnings.

This reduction in the portion of a dollar of earnings which a corporation can now add to capital is probably not so important as the influence of the undistributed profits tax on the payment of dividends. In the past, numerous stockholders have complained of the relatively small dividends paid by many corporations which have grown great or have successfully withstood the shock of extreme depressions in business. A law which imposes a tax of as much as 27 percent on earnings added to capital curtails the development of business by putting pressure on the managers of corporations to pay large dividends from current earnings.

The money disbursed as dividends flows back to business only in small measure to supply the kind of capital furnished by the plowing back of earnings. A great portion of dividend payments goes to people who invest through savings banks and insurance companies. These institutions invest in a restricted list of high-grade senior securities.

Of the portion of dividends which goes to those who invest in common stocks a large part is paid to states and to the Federal Government by those in the high income tax brackets. Much of what remains is invested in tax-exempt securities. For the residue there are many investment opportunities in seasoned common stocks of successful corporations of long standing.

The burden of the undistributed profits tax falls heavily on business enterprises which have not yet achieved recognized success. These smaller companies are rarely able to issue securities which are suitable for savings bank and insurance company investment. Such companies now face great difficulty in adding to their "hazard" capital in order to obtain the strength needed to sell senior securities.

Today there is little "hazard" capital available for business. What there is flows more easily to the companies of long established success and high investment standing than to those which are growing and have yet to establish a strong position. The small company therefore finds it not only difficult and expensive to add to capital from earnings but even more difficult to obtain from investors the capital needed to bear the ultimate risk of business.

The conditions which exist today in the capital market make this a particularly unfortunate time for such a law as the undistributed profits tax. The combined effects of the capital gains tax, the heavy income taxes on those in the high brackets, and the regulations which cause all stock and bond holdings to become unliquid investments have largely dried up the flow of risk or "hazard" capital to business from the investing public. Now even more than in the past small companies especially need to use earnings to strengthen capital position.

There is a further serious aspect to the undistributed profits tax aside from the fact that it impairs the growth and development of industry. The restricted use of earnings to pay debts in times of prosperity weakens many business enterprises in later periods of depression. Numerous companies today are strong and growing because in the past they survived misfortune by incurring debts which were later paid from dividends. The undistributed profits tax therefore not only interferes with the growth of business but prevents many prosperous concerns from gaining strength in good times to sustain them through depressions.

Needed: a committee to survey uniform terms

Gentlemen:

I am in hearty accord with Mr. Lotspeich, of H. J. Justin & Sons, Inc., in his commendation of your article on "Terms Chiselers" (C. and F. M., Feb., p. 21).

While such practices are always prevalent, and probably always will be, they are usually aggravated by an adverse business condition such as the one in which we now find ourselves, a buyers' market, when the purchaser can afford to be independent and when the seller is at a decided disadvantage in enforcing his moral and legal rights while his less scrupulous competitors may adhere to a more flexible code.

I also agree with the suggestion "Why not start a discussion on uniform terms?" I feel, however, that the only thing the National Association could do in such circumstances is to appoint a committee to make a survey of the situation and bring the matter to the attention of responsible officials in the several trade groups, who in turn might be able to take it up successfully with those in their own lines of industry.

Mr. Lotspeich suggests that the National Federation of Sales Executives might be interested. If so, it would seem to me that their efforts could only be exerted in a manner similar to that suggested above for the National Association of Credit Men.

Terms are the results of evolution and tradition in each particular industry, and there is frequently little connection between those employed by one industry and those used in an industry of a totally different character.

Our own company, which has engaged in the manufacture of clothing for eighty-nine years, formerly offered terms of 9% for cash, or 7/10, 6/30, 5/60 or four months net, with June 1 and December 1 dating for Spring and Fall seasons respectively. These recently have been changed to 2/10 net 60.

I should like to hear the views of others on this important subject.

Cordially,

JACQUE L. MEYERS,
Michaels, Stern & Co.,
Rochester, N. Y.

This month's collectors:

Submitted for the approval of our readers

by G. CHARLES COTTE, Credit Manager, Pacific Metals Co., Ltd., Los Angeles, Cal.

Dear Sir:

Maybe collections aren't as good as they might be and very likely this delay in getting your money is the reason you haven't called us before to tell us your check was in the mail.

But even so, on one thing we both agree—business is gradually improving; purchases are heavier; and a good credit standing is more important than ever; in fact it is one of your greatest assets and just like a valuable piece of machinery, abuse or neglect must eventually mean your loss.

Why not avoid this?

Just think—you could call, or drop in and talk it over or, of course, better still, send your check in for $37.88 representing in part February business. Any of these is apt to bring about a satisfactory arrangement.

Why not do it now?

Sincerely yours,

by R. H. OBERG, Asst. Credit Mgr., Boyer The Society Parfumeur, Chicago, Ill.

Gentlemen:

You will remember that the order given to our salesman a few months ago was billed to you in two parts, one part covering ordinary merchandise (with a 30-day billing), the other, Christmas merchandise with a December 1st dating.

We note that we have written you several times about the first part of the invoice. Now, not only is that unpaid, but the Christmas merchandise is also due for payment. We hardly expect you to pay the entire balance at one time, but do feel that the earliest part of the invoice should be paid.

Won't you please send that to us now?

Thank you.

Very truly yours,

"Some of your readers may be interested in the attached letter which has had about the best response of any letter I have ever sent. Out of 250 letters, fully 200 of them brought checks, a good share of them in full payment of the entire amount," Mr. Oberg writes.

"Our Christmas merchandise is shipped in October and November of each year, but, for the convenience of the dealer our invoice is dated December 1st—making payment due January 10th. At the same time there is usually an order placed for a quantity of our regular line of merchandise carrying thirty (30) day terms.

"In a large number of cases I found that invoices remained open after January 10th, and sent this letter with a most gratifying response. It seems to me this is a pretty good indication that we cannot count too heavily on the 'human' side of business."

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record: The Credit Interchange System of the N. A. C. M.

Checking insurance

(*Continued from page* 13)

Rents and Rental Value Insurance
Demolition Insurance
Explosion and Fire Legal Liability
Parcel Post
Registered Mail
Accounts Receivable
Floater
Rain Insurance
Unearned Premium Insurance
All-Risk Electric Sign Insurance
Bailee's Customer Insurance
Livestock Insurance
Safe Deposit Box Liability Insurance
Consequential Damage
Power Interruption Insurance

Then there are other coverages which can be classified as difficult to obtain, there being no regular market, such as flood insurance, credit insurance, building collapse insurance, and malpractice liability coverage.

Malpractice liability and products liability are both standard coverages, but not underwritten liberally. Flood insurance, and credit insurance are almost impossible coverages to obtain from American insurance companies, and this is also true of patent insurance. Building collapse, not to be confused with the fallen building clause waiver, is written sparsely.

If you are contemplating the insurance background of some customer to whom you have extended credit, and this customer is faced with a serious hazard in the conduct of his business, which *cannot* be insured, then your credit policy should be adjusted accordingly. One old established chemical concern was recently faced with the accusation of having caused 75 deaths due to an innocent error. Possibly the hazard was found to be uninsurable. Not every hazard can always be insured. There is one manufacturing plant built on filled ground, in a territory zoned by the insurance underwriters as being exposed to earthquake collapse, and this concern has searched the insurance markets of the world, and succeeded in insuring about 50% of their liability. All this should mean something to the credit manager.

Cooperative housing

Data for 39 cooperative housing associations, covering the year 1936, showed that 35 were actually operating projects and the plans of four others, looking toward establishing housing facilities, were well advanced. The completed projects were located entirely in Greater New York but of those being planned two were in Wisconsin. The 30 associations for which information was obtained on number of families housed provided accommodations for 2,248 families. In Manhattan and the Bronx the majority of the apartments had three and four rooms each, but in Brooklyn there was a higher proportion of larger suites. Individual dwellings had been provided by only one association but the groups in Wisconsin contemplate building houses. Average monthly charges per room ranged from $4 to $22.12.

Insurance digest

Q's and A's on insurance

Question: How can a bank protect itself against loss of money or securities deposited in a night depository safe and chute?

Answer: If the bank does not carry a No. 8 revised form of Bankers Blanket Bonds it can protect such property by (1) Bank Burglary policy with special rider, or (2) by an endorsement attached to form No. 2 of the Bankers Blanket Bond.

Question: If a building is damaged by earthquake, and fire follows, will the fire policy cover the fire loss?

Answer: One of the conditions of a standard fire policy has the effect of voiding all coverage on the building or its contents should a material part of a building fall, unless the fall is the result of fire. In some jurisdictions it is permissible to "Waive the Fallen Building Clause," which has the effect of keeping fire insurance in force on the undamaged portion of the building.

Question: Does fire insurance cover any loss or damage caused by water discharged from a sprinkler system when the discharge is not caused by fire?

Answer: No. Such loss or damage is included in sprinkler leakage insurance, and is not normally covered by a fire policy. (Note: In some cases such sprinkler leakage insurance may be included as part of a special endorsement to the fire policy.)

Question: If a gas explosion occurs in a building and fire does not follow is the explosion damage covered by the fire policy?

Answer: Not unless the supplemental contract is attached to the policy. The ordinary fire policy covers only damage caused by fire. Explosion coverage can be purchased under a separate explosion policy; as a part of a riot and civil commotion policy; or as a part of a supplemental contract to the fire policy.

Question: A concern occupies a building under a lease which gives it the right to rebuild but requires it to pay rental even if the building is totally destroyed. Can they secure a policy covering the rent they would be required to pay under this lease during the period necessary for reconstruction?

Answer: This rent becomes a fixed expense which must continue even though the tenants' operations in the building are suspended. It therefore can be covered as one of the fixed expenses under a U. & O. contract to the extent to which it would have been earned by the tenant if the loss had not occurred.

A rent insurance policy in the name of the tenant will also reimburse the tenant but only for the fair rental value of the premises which he occupies. If the required rent is in excess of this fair rental value he would have to make up the difference out of his own pocket.

Question: Will crude rubber in one place and stocks of automobile accessories at other points be eligible for a reporting form policy under the supervision of the Interstate Underwriters Board if the required number of locations is involved?

Answer: Yes. It is not necessary for all the stock to be of the same classification. If it is classified as

merchandise it is eligible, and raw stock can be classified as merchandise as well as finished stock. Note, however, that merchandise at manufacturing locations, owned or controlled by the insured, cannot normally be covered.

Question: A owns a lot, and under contract with B agrees to construct a building thereon within four months. B agrees to pay rental for ten years. Can A protect his expected income?

Answer: The conditions of this contract are such that destruction of the building before its occupancy by B would result in a definite loss to A. If the building should burn during construction, delaying completion two months, A would lose two months' income from it. Rental income insurance would pay this loss.
"Fireman's Fund Record."

Building material assn. must "cease and desist"

An order has been entered by the Federal Trade Commission directing the National Federation of Builders Supply Associations, its affiliated trade associations and their dealer members and officers to cease and desist from certain unlawful practices which have tended to substantially lessen and suppress competition in the sale of building materials and builders' supplies and to enhance cost to consumers of the industry's products, "Domestic Commerce" reports.

At the time the complaint was issued, the National Federation consisted of 41 associations of dealers located in 32 states and was found by the Commission to constitute a national combination. Costs to the consuming public were increased, the Commission found, by the issuance and observance of price lists in certain communities and by the respondents' policy of exclusive dealer distribution "because the consuming public was thereby denied the advantages in price which it otherwise would have obtained from the natural flow of commerce under conditions of free competition."

There are 1,100 separate meat packing plants in the United States employing 105,000 workmen receiving $124,000,000 in annual wages. The capital invested in the industry is $1,500,000,000 and the annual production totals nearly $2,000,000,000. — "National Grocers Bulletin."

Chandler on bankruptcy

(*Cont. from page* 17) attack on the bill before the Senate and House Judiciary Committees, it is needless to elaborate on them. Suffice it to say that, far reaching though they may be, these monumental steps have not gone beyond the limit of Congressional power. "Rather, they have constituted extensions into a field whose boundaries may not yet be fully revealed". The chapters represent milestones in the direction of rehabilitation rather than liquidation, and there is a confident belief that the new debtor provisions will be progressive, beneficent, and practical. If I were a prophet, I would predict that the trend of the future will be toward the fullest development of the purposes of Chapters X, XI, XII, and XIII and virtual disappearance eventually of the original conception of bankruptcy.

Many times, the question has been asked: "If the bill passes, will the new law work?" The answer is "Yes, if two essential elements function in support of the Act". These are the Referees and the creditors. Unless those who administer the new law are willing to subordinate private gain for the "pride of the service", unless the Referees are ever faithful to their trusts, and unless they undertake their new duties with the determination to realize the greatest benefits possible from a remedial statute, the law cannot work more than half way. And unless the creditors consecrate themselves to the enforcement of the Act by being ever vigilant, alert to detect frauds, reduce waste, eliminate extravagance, and prevent negligent operation of the statute, the law will be a disappointment. The remedies are ample, the way is clear, and the result will be effective with the right kind of support from creditors and proper cooperation from the Referees.

Too much praise cannot be given to the other members of the Judiciary Committees of the Senate and House; and the indefatigable work of the National Association of Credit Men deserves the highest commendation. The reward for these valiant servants will come with the enactment of the law, and from the satisfaction which follows a task well done.

Audits: whose responsibility?

Certified public accountants should assume the chief responsibility for insuring that credit granters receive a true, complete statement of the condition of business concerns, it was declared by a banker, a credit man and a representative of business at a recent forum discussion under the joint auspices of the New York State Society of Certified Public Accountants and the New York Credit Men's Association.

A sharply differing viewpoint was expressed by accountants in a discussion from the floor. They declared that it was up to the credit men, in their own interest, to educate business concerns to realize the necessity and value of detailed audits, or to insist that this type of audit be submitted in credit arrangements. The accountants pointed out that the type of audit they perform was limited by the amount of the fee and that they could not go ahead on their own time to provide more complete information than was asked for by the client.

The speakers included Joseph H. Bower, Executive Vice President of the Chemical Bank and Trust Company; David E. Golieb, Treasurer of the International Handkerchief Manufacturing Company and former President of the credit men's group, and Edward F. Addiss, President of the Burlington Mills. Colonel Arthur H. Carter, partner in Haskins & Sells and former President of the accountants' society, represented the accountants on the formal part of the program.

Mr. Bower said that the scope of the auditor's work should be unlimited and that management should be glad to allow him to make whatever tests were necessary and give him access to whatever information he needed to prepare statements reflecting the true financial condition of the corporation. He deplored "the guesswork" present in many reports, saying that he could place no trust in summarized statements beginning "I am of the opinion that the following represents"—

"What the credit man needs to judge a credit risk is an X-ray statement, not a photograph statement," he declared. He admitted that it was somewhat unreasonable to expect the accountant to run directly counter to his client's wishes, but said he felt there was no excuse for "weasel work" or the omission in a statement of significant facts to protect an unethical company.

"It is the accountant's obligation to give warning that there is more to be revealed than is shown in a statement, if that is the fact of the matter," he contended. Mr. Bower, however, said that the credit man and the bank must also share in obtaining better statements.

Mr. Addis said that the accountant, when preparing a statement was not only serving his client but was morally responsible to every granter of credit and every prospective granter of credit.

Colonel Carter suggested the development of "a broad, sound code of accounting principles, a job we haven't done yet." He said he believed that this would be accomplished sooner than most accountants expected. Mr. Golieb approved this program and urged that it be supplemented with a code of standard practice for drawing up financial statements.

Insuring intangibles

These abbreviated remarks are intended to draw attention to Accounts Receivable and Use and Occupancy insurance, which are two forms of protection that should be of particular interest to credit officials. Since limitations as to space will not permit a full explanation, it is hoped that those interested will seek required additional information regarding these coverages through appropriate channels.

Credit men are fully cognizant of the importance of accounts receivable as the basis for the extension of credit. It is not infrequent that such receivables constitute the "cushion" which the creditor must fall back upon for payment of amounts due. This means, of course, that the receivable should be "liquid" and intact, C. D. Minor explains in "Chicago Credit News."

Liquidity, in such an instance, is beyond the scope of our present subject, our concern being with the preservation of "intactness" of the A/R records.

A mercantile establishment may suffer a disastrous fire, or other casualty, from which its records may be destroyed. Assuming that the business has been conducted with the normal amount of credit sales, it is difficult to predict the extent of the owner's loss from uncollectible accounts receivable, the records of which have been destroyed.

In such a case it is entirely possible that the percentage of "non-payers" will be surprisingly large, and this is said without attempting to discount the honesty of the average individual in the least. Under such conditions, it is not improbable that, even though the owner is covered by insurance on building and stock, the business may be forced into financial difficulty due to the loss from collection of accounts receivable. If this occurs, creditors will be affected.

Within comparatively recent times, underwriters have brought into existence what is known as Accounts Receivable Insurance. The purpose of this coverage is to indemnify the insured for loss due to his inability to collect accounts receivable resulting from the destruction of the records thereof by the perils insured against.

From the standpoint of the credit official this is an important type of protection. It gives him the assurance that even though his debtor suffers the misfortune of having his receivable records (which as a rule constitute all the evidence of the transactions, upon which the amounts owing are based) destroyed there will be no impairment in the value of the accounts due, since the insurance will reimburse the insured for the shortage in collections resulting from the destruction of the records. For such reason it would appear that Accounts Receivable Insurance is just about as essential from the credit man's viewpoint as insurance against the loss of building, or stock, or any other physical property.

Another important basis of credit is earnings. As long as the wheels of production are turning in a manufacturing plant, or there is a continuity of sales in a mercantile establishment, the owner may encounter no difficulty in securing such credit as may be essential to the conduct of the business.

However, what is the position of the creditor who has extended credit during such conditions if the business is suspended suddenly by reason of damage to or destruction of the physical property used and occupied in the conduct thereof?

It may be that the owner of the business, who was a good credit risk before the disaster, finds himself confronted with expenditures which constitute a drain upon his resources and which make it impossible for him to meet his bills payable. His earnings have been cut off without warning, and unless he has a substantial surplus for the proverbial "rainy day" there will be an impairment of his ability to meet pending obligations.

Insurers are prepared to offer protection against such contingencies, and unquestionably this type of protection is of benefit to creditors under such circumstances. It is known as Use and Occupancy insurance.

The purpose of Use and Occupancy insurance is to indemnify the insured for the loss of gross earnings, less those expenses which the insured can eliminate or avoid during the period of interruption without impairing the efficiency of the organization, resulting from total or partial suspension of the business by reason of damage to or destruction of the physical property used and occupied in its conduct, by the perils insured against.

Insurance of this character, if carried in an adequate amount and if properly written, will indemnify the insured for the loss of earnings, as indicated, and thus perform the function of placing the insured in the same financial position which he would have been in through the orderly conduct of the business had there been no interruption by the casualty insured against.

The continuity of earnings is essential to unquestionable credit standing and it appears that insistence by credit officials upon the carrying of appropriate Use and Occupancy insurance by business owners to whom favors are extended is a matter to which just as great importance should be attached as that of insurance or physical property.

After all, business property is valued primarily upon the basis of earnings that it will produce, just as, from a credit standpoint, an individual is rated in accordance with his earnings, as it is from these that one is able to meet accruing obligations. In view of this, why is it not of real importance for the credit official to require such business debtor to carry insurance against the impairment of earnings from fire and other common perils?

Unemployment-benefit plans

Only 5 of the 22 company unemployment-benefit plans which were in effect in 1934 were in operation in August 1937, according to a recent inquiry by the Bureau of Labor Statistics. All but one of the plans still operating are guaranteed-employment or employment-assurance plans. The enactment of the Federal Social Security Act and of State unemployment-insurance laws was the reason in most instances for abandonment of the plans. However, 7 of the companies which have abandoned their plans are maintaining benefit payments until benefits become payable under the State law. The 5 joint agreements in effect in 1934 are being continued, for the present at least, while 17 of the 24 local trade-unions replying to the inquiry are continuing the assessment of members for the maintenance of their unemployment funds, in spite of the fact that they may be covered by the State laws.

Court decisions

TRADE REGULATION — N. Y. FAIR TRADE ACT HELD CONSTITUTIONAL UPON THE AUTHORITY OF THE DECISION OF THE UNITED STATES SUPREME COURT SUSTAINING THE CONSTITUTIONALITY OF THE ILLINOIS FAIR TRADE ACT. Bourjois Sales Corp. v. Dorfman—New York Court of Appeals, March 9, 1937.

The New York Fair Trade Act (Chapter 976 of the Laws of 1935) provides that "willfully and knowingly advertising, offering for sale or selling any commodity at less than the price stipulated in any contract entered into pursuant to the provisions of Section 1 of this act, whether the person so advertising, offering for sale or selling is or is not a party to such contract, is unfair competition and is actionable at the suit of any person damaged thereby."

The plaintiff, invoking the provisions of the statute, alleged that it had been damaged by the action of the defendant in cutting prices in violation of the statute. The complaint was dismissed upon the authority of the decision of the Court of Appeals in Doubleday, Doran & Co. v. Macy & Co., 269 N. Y. 272, in which the statute was held unconstitutional. The court at that time thought that the statute was "a clear case of unauthorized restriction upon the disposition of one's own property and unconstitutional within former decisions of the United States Supreme Court." However, the Supreme Court has taken a different view in holding subsequent to the decision in the Doubleday case, that the Fair Trade Act of Illinois is constitutional, in the case of Old Dearborn Dist. Co. v. Seagram-Distillers Corp., decided Dec. 7, 1936.

The Court of Appeals further said that the Illinois Fair Trade Act was similar to the New York Act and that the complaint in the Bourjois case is in no way different from that before the Supreme Court under the Illinois Act, and that therefore it was the court's duty to submit its own judgment to the rulings of the Supreme Court on the Constitution of the United States, and the interpretation of its own decisions.

UNLAWFUL PRACTICE OF LAW—ENFORCEMENT OF CLAIMS BY CORPORATION—SECTION 280 OF THE PENAL LAW CONSTRUED. John J. Bennett, Jr., as Attorney-General of the State of New York, upon the relation of the New York County Lawyers Association vs. Supreme Enforcement Corporation. Appellate Division of the Supreme Court of the State of New York, First Department, March 12, 1937.

Section 280 of the Penal Law, as amended by Chapter 534 of the Laws of 1934, provides that it shall be unlawful "for any corporation or voluntary association to solicit itself or by or through its officers, agents or employees any claim or demand, *or take an assignment thereof*, for the purpose of bringing an action thereon * * *" (italicized words added by the 1934 amendment).

The defendant took an assignment from its parent corporation of notes, chattel mortgages and confessions of judgment without consideration and for the purpose of instituting suit in the event that the collection of said claims and demands could not be effected without suit. The defendant did no soliciting and charged nothing for its services. It acted solely for its parent corporation without profit of any kind and it did not prosecute its claims except through its attorney.

The Attorney-General of the State of New York, upon the relation of the New York County Lawyers Association, brought an action pursuant to Sections 1221-a and 1221-b of the Civil Practice Act to secure an injunction to restrain the alleged violation by the defendant of the provisions of Section 280 of the Penal Law. The Appellate Division directed judgment in favor of the plaintiff saying "we deem the taking by the defendant corporation of assignments, for the purpose of bringing suit on claims which prove otherwise uncollectible, to be a violation of the statute as amended by Chapter 534, Laws of 1934, even though there was no solicitation."

A dissenting opinion by Cohn, J. points out that this interpretation seems to prohibit every corporation from taking an assignment of a single claim or demand for the purpose of bringing an action thereon, and makes such a form of assignment to a corporation which has been frequently invoked in the past, especially by financial and banking institutions who have created corporate subsidiaries to which have been assigned overdue negotiable instruments for the purpose of suit, a misdemeanor.

Prison-made goods

The movement to eliminate competition between prison and private industry is meeting with success in the opinion of the Prison Industries Reorganization Administration. A recent survey of existing laws shows that 12 States prohibit altogether the sale or distribution of prison-made goods (including imports) on the open market, 16 additional States have enacted general prohibitions with certain exceptions, and 8 States, including 3 of the foregoing, have legislation specifically prohibiting the sale or distribution of imported prison-made goods. In all, 33 States have placed some restriction on the sale of prison products and every State has laws regulating the use of prison labor and the manufacture of goods in prisons.

LABOR — CONSTITUTIONALITY OF THE RAILWAY LABOR ACT — Injunction Requiring Railroad to Comply with Act. Virginian Railway Company v. System Federation No. 40, etc. Supreme Court of the United States. March 29, 1937.

This case presented the question as to the constitutional validity of certain provisions of the Railway Labor Act of May 20, 1926, as amended by the Act of June 21, 1934.

System Federation No. 40 is a labor organization affiliated with the American Federation of Labor and representing shop craft employees of the Virginian Railway Company. The Federation and certain of its officers and members, brought a suit in equity to compel the railroad, an interstate rail carrier, to recognize and treat with the Federation as the duly accredited representative of the mechanical department employees of the railroad and to restrain the railroad from in any way interfering with, influencing or coercing its shop craft employees in their free choice of representatives for the purpose of contracting with the railroad with respect to pay and working conditions and for the purpose of settling other disputes.

Prior to 1934 the railroad had maintained a company union for its employees. In that year the Federation demanded recognition of its authority to represent the shop craft employees and invoked the aid of the National Mediation Board, constituted under the Railway Labor Act, as amended, to establish its authority. The board held an election by the shop craft employees to choose representatives for the purpose of collective bargaining, as a result of which the board certified that the Federation was the duly accredited representative of the railroad's employees in the six shop crafts.

The railroad contended that Section 2 Ninth of the Railway Labor Act, which provides that a carrier shall treat with those certified by the Mediation Board to be the representatives of a craft or class, imposed no legally enforceable obligation upon the railroad to negotiate with the representatives so certified, and also that that section, insofar as it attempted to regulate labor relations between the railroad and its "back shop" employees, is not a regulation of interstate commerce authorized by the commerce clause of the Constitution because they are engaged solely in intrastate activities, and also that so far as that section imposed upon the carrier any obligation to negotiate with the labor union authorized to represent its employees, and restrains it from making agreements with any other labor union, it is a denial of due process guaranteed by the Fifth Amendment.

The court pointed out that the authority of the Railroad Labor Board, created under the Transportation Act of February 28, 1920, to encourage settlement of labor controversies between interstate carriers and their employees, without strikes, was generally not recognized or respected by the railroads or their employees, and that therefore Congress had repealed the 1920 act and adopted the Railway Labor Act. By the new measure, Congress continued its policy of encouraging the amicable adjustment of labor disputes, but it supported that policy by the imposition of legal obligations and by providing means for enforcing the award obtained by arbitration between the parties, which had not been the case under the earlier act.

The railroad did not challenge that part of the decree which enjoined any interference by it with the free choice of representatives by its employees and the fostering of the company union, because that contention was not open to it in view of the decision of the Supreme Court in the Railway Clerks case, 281 U. S. 548, but the railroad insisted that the statute affords no legal sanction for so much of the decree as directs it to *"treat with"* the Federation and exert every reasonable effort to make agreements concerning rates of pay, etc., and to settle all disputes.

The requirement for reasonable effort to reach an agreement does not stand alone in the act, but with the provisions in Section 2 Ninth making it the duty of the Mediation Board, when any dispute arises between the carriers and employees as to who are the representatives of such employees, to investigate the dispute and to certify, as was done in this case, the name of the organization which was authorized to represent them, and upon receipt of such certification, the railroad must treat with the representatives so certified as the representatives of the craft or class.

The court said that it is not open to doubt that Congress intended that this requirement be mandatory upon the railroad, and that its command in a proper case be enforced by the courts. Experience had shown before 1934 that a prolific source of dispute had been the maintenance of company unions and the denial by the railroad management of the authority of representatives chosen by their employees. Section 2 Ninth was specifically aimed at this practice. The railroad's contention that it only need meet the authorized representatives of the employees if and when it shall elect to negotiate with them, disregards the words of the section and ignores the plain purpose of the act. The command to the employer to "treat with" the authorized representatives of the employees, requires an affirmative act on the part of the employer. The statute does not undertake to compel agreement between employer and employees, but it does command that that those preliminary steps, without which no agreement can be reached, be taken.

With respect to the constitutionality of Section 2 of the Act, the court said that the provisions of the act are aimed at the settlement of industrial disputes by the promotion of collective bargaining between employers and the authorized representatives of their employees, and by mediation and arbitration when such bargaining does not result in agreement. The power of Congress over interstate commerce extends to such regulations of the relations of rail carriers to their employees as are reasonably calculated to prevent the interruption of interstate commerce by strikes and their attendant disorders.

But the railroad insisted that the act as applied to its "back shop" employees is not within the commerce power since their duties have no direct relation to interstate transportation. 322 of the 824 employees in the six shop crafts of the railroad, work in its back shops at Princeton, W. Va., where they are engaged in making heavy repairs on locomotives and cars withdrawn from service for long periods. When not engaged in repair work, they perform "store order work," (the manufacture of materials such as rivets and repair parts), to be placed in railroad stores for use along the lines. The court said that the activities of these employees have such a relation to the other confessedly interstate activities of the railroad that they are to be regarded as a part of them, and that all taken together fall within the power of Congress over interstate commerce.

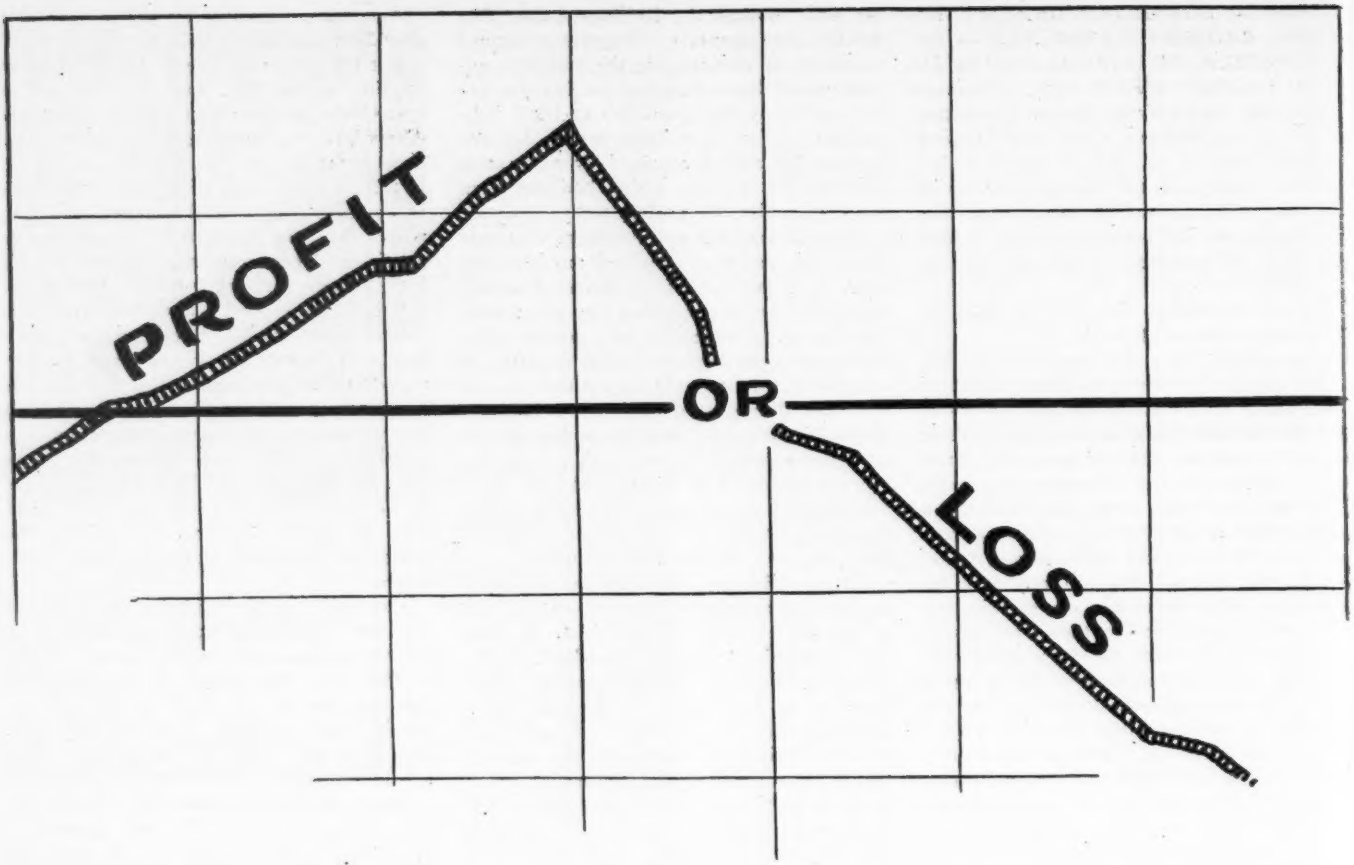
The court further said that the railroad was not being deprived of its freedom of contract contrary to the due process clause of the Fifth Amendment to the Constitution because the act does not require or prohibit the railroad from entering into any agreement with its employees. The act imposes only the formative duty of treating with the authorized representatives of the employees for the purpose of negotiating a labor dispute. It does not interfere with the formal exercise of the right of the carrier to select its employees or to discharge them.

"By the Golden Gate in '38!"
June 5-10
43rd Annual Credit Congress

Bootleg mining

Bootleg mining of anthracite in Pennsylvania in the year 1936-37 gave employment to about 13,000 men, who, with their dependents, represented a total of about 45,000 persons dependent on the bootleg-coal industry. The practice, however, is confined to a limited section of the anthracite field, and within Schuylkill County and the southeastern portion of Northumberland County there are a number of communities in which illegal mining is literally the sole important means of support for the working population. The Anthracite Coal Industry Commission of Pennsylvania, in a recent report, estimates that the average earnings of these mine workers are about $19.70 per week.

"By the Golden Gate in '38!"
June 5-10
43rd Annual Credit Congress



Inspection reports are often the determining factor between profit and loss.

Favorable information corroborates business judgment in risk acceptance; adverse reports warn of possible or pending loss.

Thousands of case records backed up by the subsequent information of supplemental reports prove the worth of these statements.

Good business practice counsels information before decision—and for 99.6% accuracy—

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THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE, NEW YORK

300 Attend Tri-State At Waterloo

Waterloo. — The Tri-State Conference of Credit Men covering the states of Iowa, Nebraska and South Dakota, closed here on Friday evening, February 18th, with a banquet session with Henry H. Heimann, Executive Manager of the National Association, as the main speaker. Approximately three hundred credit men from the three states attended the two day session.

Don Neiman and J. C. Harris of Des Moines, J. V. White and V. A. Zellhoefer, of Waterloo, Bert M. Foote, Cedar Rapids, and Claude C. Ogborn of Sioux Falls, S. C., were among the credit executives who spoke on the program. Others who engaged in the discussion were W. M. Elmen, Lincoln, Neb., and Henry N. Neuman of Davenport, Ia. Those attending the Tri-State Conference of the National Staff were Henry H. Heimann, Executive Manager, Roy A. Colliton, St. Louis, Manager of Central Credit Interchange Bureau, and E. B. Moran of Chicago, Central Division Manager.

Associations sending representatives to the Tri-State Conference at Waterloo were the Burlington Association of Credit Men, the Cedar Rapids Association of Credit Men, the Tri-City Association of Credit Men, at Davenport, the Des Moines Credit Men's Association, the Interstate Association of Credit Men, at Sioux City, the Lincoln Association of Credit Men, the Omaha Association of Credit Men, and the Sioux Falls Association Men.

Samuel Ardron, Sr., Dies

Samuel Ardron Sr., father of the secretary manager of the Credit Men's Association of Eastern Pennsylvania died at his home in Poughkeepsie on Sunday night February 13. Samuel Jr. was in a hospital in Philadelphia because of a throat affliction and could not attend his father's funeral.

Special Train

Chicago. — The Chicago Association of Credit Men is promoting a special train over the Northwestern Railway to the Credit Congress of the National Association of Credit Men slated for San Francisco on June 5th to 10th. The train will go by way of Kansas City, Pueblo, Salt Lake City and will return by way of Los Angeles and Omaha. It is expected that delegates from a number of the Credit Associations within a short radius of Chicago will join with Secretary O'Keefe's tour in going to and from the National Session in San Francisco.

Credit Women Hear Lecture About Rayon

Through the courtesy of Past National President William Fraser, of J. P. Stevens & Co., the New York Credit Women's Group listened to an interesting an instructive description of the manufacturing processes involved in the making of rayon. R. C. Urban of the North American Rayon Corporation showed motion pictures with sound effects tracing the various stages in the manufacture of this product. Sidney Scheuer described the uses to which rayon has been put in the last few years and its place in the modern wardrobe.

Improves

Cincinnati. — Word from Christ Hospital brings the pleasing news of the gradual improvement in the condition of National Vice-President Lawrence J. Bradford. It is now expected that he will be able to return to his desk sometime in March.

"By the Golden Gate in '38" Is Congress Slogan

Once more it is "all eyes West" for our annual meeting. There are many who still remember our fine reception in San Francisco in 1921. We also won't forget our subsequent fine Western Conventions at Seattle in 1928, and Los Angeles in 1934. This year we go back to meet with our San Francisco friends the week of June 5th.

General Chairman Dan Bosschart with his fine Committees are already well into their Convention preparations. Our Convention hosts, the Credit Managers' Association of Northern and Central California, will not only be our hosts this year, but will also have full and complete charge of all matters pertaining to the meeting.

Western Division Manager Owen Dibbern, will be loaned to our hosts, and will have the particular duties of hotels and reservations, and directing the Group Meetings.

As previously announced, the National Board of Directors, at their annual meeting, changed the name of our Annual Meeting from the word "Convention" to "Credit Congress." Therefore, the San Francisco meeting will be the 43RD ANNUAL CREDIT CONGRESS OF THE NATIONAL ASSOCIATION OF CREDIT MEN.

Complete hotel arrangements have already been contracted for with the St. Francis Hotel as the Credit Congress headquarters. The other official Congress hotels, Sir Francis Drake, Stuart, Plaza, Clift and Palace are all close together and convenient to the general sessions and other Convention activities.

Special trains for the Credit Congress are already in preparation. Chicago, whose fine Tours have been a feature at past Conventions is again planning an enjoyable and economical trip for the delegates to include not only Chicago, but other points that wish to join the Chicago train.

New York and the Eastern plans are on foot for other Credit Congress specials. All steps are being taken to make the trip not only enjoyable, but within the means of everybody.

The Industry Group sessions

Banquet of N. Y. C. M. A. Big Event

New York.—Hon Samuel B. Pettengill, Member of Congress from Indiana, one of the leading members of the congressional committee on Interstate and Foreign Commerce was the speaker at the annual banquet of the New York Credit Men's Association held in the Grand Ballroom at the Hotel Waldorf-Astoria on February 24th. Mr. Pettengill gave a very interesting and instructive analysis of recent legislative trends and their affect upon business operation.

As usual the annual banquet of the New York Association drew a large attendance, as this event is considered the big social gathering of the credit men in the Metropolitan area.

The Glee Club of the New York Credit Men's Association provided entertainment during the banquet session and the Lan-in Orchestra provided music for dancing in the Astor Gallery after the banquet.

will probably be as outstanding as we have had in years, in no small measure due to the fact that our San Francisco hosts have the greatest number of active Industry Credit Groups of any affiliate of the Association.

Already we are advised by San Francisco that hotel reservations and advance registrations should be in at the earliest possible date so that every care can be taken for the accommodations delegates desire.

It is expected that the majority of the delegates will arrive on Sunday, June 5th, and it is possible the same procedure will be followed as was followed in '37, namely entertainment and get-together on Sunday prior to the serious business of the Credit Congress beginning first thing Monday morning.

Begin your plans, now, so the week of June 5th to 10th you will be BY THE GOLDEN GATE.

Weinstock Heads N.Y.C. Paint Group

New York.—Martin B. Weinstock, credit manager, M. J. Merkin Paint Company Inc., was elected President of the New York Paint & Allied Industries Credit Association at a very enthusiastic and well attended annual meeting held Tuesday Evening, January 11th, at the Building Trades Employers' Association at #2 Park Avenue, New York City.

Mr. Weinstock is well known to the industry. Prior to his promotion to the presidency, he served actively as 1st Vice-President in 1937, 2nd Vice-President in 1936, Treasurer in 1935 and Director for several years.

The annual reports of the various committees indicated considerable progress during the past year including a further increase in membership.

Richmond Told of Installment Sales Research

Richmond.—Malcolm L. Merriam, of the Department of Commerce, Washington, D. C., spoke at the February 24th dinner meeting of the Richmond Association of Credit Men on Installment Credit. Mr. Merriam is the new head of the Installment Credit Survey being undertaken by the Department of Commerce. He is now making a nation-wide research on various angles of selling by extended payment plan.

Mr. Merriam's talk was very well received and gave the members, fortunate to hear it, a number of interesting sidelights on this type of credit activity.

Maximum Terms Are Given Two Convicted of Bankruptcy Fraud

St. Louis.—The Fraud Prevention Department of the National Association of Credit Men scored one of its most outstanding convictions in the cases of Morris and Lewis Londe, who were sentenced in the Federal Court in St. Louis on February 5th to terms of five years imprisonment. This is the maximum sentence provided in such cases involving violation of the National Bankruptcy Act.

Investigation in this case started in September of 1936 and has been carried on since that time by Harold H. Bailey, the Chicago representative of the Fraud Prevention Department, who had the excellent cooperation of Orville Livingston, Secretary of the St. Louis Association, in tracing out the various angles of the case. The Londes were charged with failure to account for a considerable amount of assets shown on a financial statement they issued for the purpose of obtaining credit.

In connection with the conviction and maximum sentence meted to the Londes in St. Louis, it is interesting to note that the Uptown Credit Group of the National Federation of Textile has appointed a special committee to prepare special facts and data for presentation to judges relative to the negative results which follow limited or suspended sentences in cases involving commercial crime. The law and prosecution committees of the New York Credit Men's Association have been divided, the latter group being charged with the program of prosecuting business crimes and to urge adequate punishment in case of conviction. It has been pointed out by these special committees when a sentence of two or three months is imposed on a person convicted of a commercial fraud involving several thousands of dollars, such a sentence does not result in a deterrent influence on other possible offenders.

Credit Clinic At Cleveland Is Popular

Cleveland.—The session of the Credit Clinic, which is being sponsored by the Cleveland Association this year, has the general theme of its monthly meetings heard an interesting discussion by E. S. Sisson, The Cleveland-Cliffs Iron Company, whose subject was "The Foundation of an Effective Credit Department."

Members of the Cleveland Association were asked to bring sample copies of their credit files for display purposes and for discussion after the address by Mr. Sisson. Mr. Sisson discussed the proper methods of building, maintaining and using an adequate credit file. These he described as the credit executive's working tools.

Cincinnati Bank Men Form Group

Cincinnati, O.—A group of credit executives of banks in the Cincinnati area met at Hotel Sinton on January 11th for the purpose of discussing bank credit problems.

Those who attended, from eighteen banks credit executives were enthusiastic about the value and advantages of such meetings and it was definitely determined that the group shall meet once a month hereafter. Mr. Ralph G. Holste of the Central Trust Company was elected Chairman of the group.

Charles F. Klensch, Credit Manager of the First National Bank, of this city, and a member of the Board of Directors of the Cincinnati Association, was recently promoted to the office of Assistant Vice President of the First National Bank.

Colliton at Wheeling

Wheeling. — Roy Colliton, manager of Central Credit Interchange department of the National Association of Credit Men was the speaker at a dinner meeting of this Association held at the McLure hotel on February 3.

PaperMen to Meet Mch 25 In Chicago

Chicago.—Another conference of the credit executives of the Paper & Paper Products Industries is to be held in Chicago on March 25th in the South Club Room of the Hotel La Salle.

The first session of this conference held last year drew attendance from paper representatives throughout the Central Western area.

E. B. Moran, Central Division Manager, of the National Association of Credit Men, is acting as Secretary for this one day's session.

The morning session will be devoted to addresses by business executives from the paper and other fields. The afternoon sessions will be given over to a series of group meetings for the representatives of various divisions of the industry. At the group meetings, programs will be scheduled covering almost every subject of importance in connection with credit and finance administration.

Paul Kerin Writes In Trade Press

Dallas.—Paul A. Kerin, secretary of the Dallas Wholesale Credit Men's Association had a full page article in the February issue of "Southwestern Retailer" on the subject "Why an Association of Wholesale Credit Men." One of the arguments Mr. Kerin presented was as follows:

"Picture credit as a power whose pressure can be gauged similar to the steam in a locomotive. The locomotive at the time of its departure is primed. Its pressure gauge should indicate the correct amount of energy necessary to commerce pulling its loaded cars. Of the many "gadgets" in the cab that the engineer makes use of, none is more important than the pressure gauge.

"So likewise, the credit strength of any given business is its pressure gauge. A business is organized, a given capital invested, and thus is the locomotive of your business ready to go. Its destination is the periodic pause made at specific intervals to take a physical count of assets and liabilities."

When you think of protecting your accounts — DO THIS!

Select at random the name of any one of your principal profitable outlets for merchandise. Consider that one of three things may happen to that outlet at any time:

1. It may fail.
2. It may be lost through a credit misunderstanding or credit error.
3. It may become a potentially larger outlet for your products, and you may not share in its growth.

How can you insure against all three contingencies?

The National Credit Interchange System has perfected a new, wholly different service to provide you with just that kind of insurance. It is called AUTOMATIC REVISION SERVICE.

AUTOMATIC REVISION SERVICE guarantees you a continuing series of reports on your important outlets—at intervals specified by you—each report containing nothing but strictly current, up-to-the-minute facts on the customer's buying and paying habits.

These reports, reflecting every change in the fortunes of the customer, will insure your being able to adjust your policies to every change—just as quickly as it occurs.

They take the guesswork out of "trends". In them, "trends" are reflected by—facts—, not by personal opinion which is frequently at variance, and often prejudiced.

AUTOMATIC REVISION SERVICE eliminates the hit-or-miss methods of giving you long-time accumulations of information at indeterminate intervals. These may cause losses. AUTOMATIC REVISION SERVICE—prevents them.

Ask your local Credit Interchange representative for detailed information on AUTOMATIC REVISION SERVICE.

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CREDIT INTERCHANGE BUREAUS

NATIONAL ASSOCIATION OF CREDIT MEN

Seek Fraud Funds From Philadelphia

Following idea expressed in the resolution of the National Association of Credit Men at Chicago last June, the Fraud Prevention Department is endeavoring to get enough signed pledges to warrant opening an office in Philadelphia to investigate fraudulent bankruptcies in the Eastern portion of the State of Pennsylvania.

All that we are asking is that the Philadelphia concerns sign pledge cards in the amount that they will contract for, if and when a specified sum is subscribed.

Mr. Heimann has recently sent out a letter to a great many of our members in the Philadelphia territory and we hope to receive the hearty cooperation of the Credit Men's Association of Eastern Pennsylvania.

Insurance Is Forum Subject At Binghamton

Binghamton.—Members of the Triple Cities Association of Credit Men heard two interesting talks on insurance as it applies to credit relations at the February 16th dinner meeting of this Association held at the Arlington Hotel. Fred D. Russell, president of the Security Mutual Life Insurance Company, spoke on the subject of "Life Insurance and its Relation to Credit", and Edgar W. Couper spoke on "Fire and Casualty Insurance and its Relation to Credit". After the two addresses a number of questions were presented from the floor and a general discussion of insurance subjects ensued.

Al. Dufendach Dies

South Bend.—Alfred B. Dufendach, one of the pioneer members of the South Bend Association of Credit Men, died suddenly on February 10th. Mr. and Mrs. Dufendach had just started on a motor trip to Florida for a winter vacation because of Mr. Dufendach's poor health. He suddenly became ill a short distance out from South Bend and died just as Mrs. Dufendach drove up in front of the doctor's office after a hurried return trip.

ZEBRAFFAIRS

With the event of the New Year the San Francisco Herd of Zebras have started making plans for their part in the convention of the National Association which is to be held in San Francisco in June. Past Super Zeb Lou Miller has been appointed chairman of the reception committee and Super Zeb Herb Fletcher, chairman of the information committee and all members are putting their shoulders to the wheel to do their share for the success of the convention.

On Jauary 24th, Zebra Herb Kelley who is quite an amateur moving picture photographer entertained the herd with pictures taken on his trip through Yellowstone Park and a picture taken last fall of several of our members on a bass fishing trip. The evening was an enjoyable one and the movies well worth seeing.

Plans are now being made for a state conclave of the Zebra herds in California to meet in Fresno Saturday, March 19th. We are looking forward to having with us at that time our National President Paul Fielden.

Warns of Installment Dangers

Malcolm M. Merriam, of the Department of Commerce, who has made an extensive study of installment credits, in a recent declaration warned of the dangers of installment sales methods in depression years.

"It is evident," he said, "that judgment as to the proper quantity of installment credit and the timing of its use must be vastly improved if stability of production is to be an objective."

"Perhaps by financing the growing installment volume from investment funds, rather than bank credit, its diffused stimulus on the upswing of business can be eliminated," he said. "But I can see no way, short of intervention by public spending, to counteract its deflationary effects in a period of debt contraction."

Urges Better CreditCheck toStopCrook

Present business conditions require a more scientific approach to the problem of credit appraisal, according to Benjamon Fischer, executive director of the Wholesale Merchants bureau.

"The bankruptcy 'racketeer' is made possible by slipshod and promiscuous credit granting," he said. "That is the crux of the situation. If care be taken in revising regularly and analyzing credit data to make sure of its reliability, augmented by semi - annual financial statements, together with the knowledge of how to interpret these data, I feel sure many credit headaches can be avoided. The three Cs—character, cash and capacity—are still the bulwark of credit.

"If and when merchants will stop granting credit unless a valid basis exists, commercial crime will die a natural death."

New Orleans Bulletin Presents Reasons for N.A.C.M. Progress

New Orleans.—A recent issue of "Vigilantia," the bulletin of the New Orleans Credit Men's Association, carried a picture of a big liner labelled Vigilantia. Underneath was the title "The Good Ship "C. M. A." with the following announcement:

"For forty-two years your Association has faithfully served the business interests of this community.

"Its efforts have been directed to the upholding of the Credit structure. Many of the protective laws under which you are doing business were sponsored and enacted thru its efforts.

"The Association's aims are unselfish. Its facilities are available to all concerns eligible for membership. That it has accomplished satisfactory results is best evidenced by your loyalty and support.

"Its future continues to rest in your hands. Your co-operation will strengthen an already solid foundation and develop other instances of where it can serve.

Four Given Prison Term For Fraud

As a result of an investigation conducted by the Fraud Prevention Department in cooperation with the Federal Bureau of Investigation, four individuals, whose activities have been under investigation since November, 1933, were convicted in the Federal Court for the Southern District of New York on January 28, 1938, on charges involving violations of the mail fraud statute.

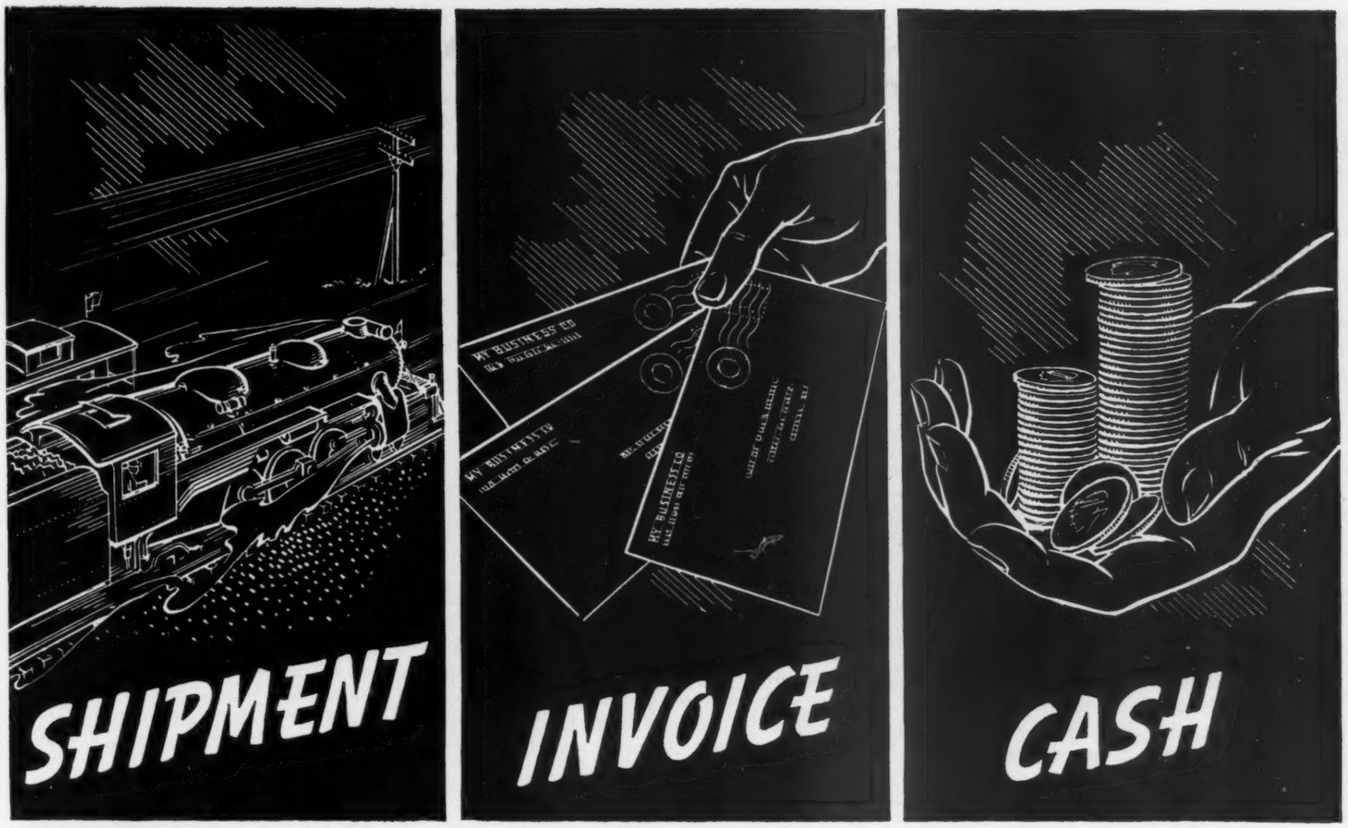
The indictment in part alleged that the defendants used the mails to defraud through the circulation of a false financial statement. An additional indictment alleging conspiracy to violate the National Bankruptcy Act has not as yet been brought to trial.

On January 31st, Philip S. Rubin was sentenced to a term of imprisonment of two years and Nat B. Zimmer to a term of one year and one day imprisonment. Jack Dorgin was given a suspended sentence of one year and one day to be followed by a probationary period of three years, and then was directed to pay a fine of $1000, which fine it was stipulated by the Court must be paid within a period of one month. Isaac Nacht received a sentence of one month, which was suspended, and he has been placed on probation for a period of six months and directed to pay a fine of $500 within two weeks.

Milton Sacksman who pleaded guilty some time ago in this matter and who aided the prosecution, has not as yet been sentenced. A sixth defendant, Samuel Cohen, was acquitted.

NewEnglanders At Bridgeport

Bridgeport. — Representatives of Associations affiliated in the National Association of Credit Men from the New England met here for a conference on credit methods on February 9. Paul Fielden, the Norton Company, Worcester, Mass. and national president of N. A. C. M. was one of the speakers at the conference. Delegations were present from Boston, Providence Hartford, New Haven, and Waterbury were present.



and PROTECTION against Credit Loss

"YESTERDAY our shipments to regular customers totaled around $60,000. About half of these accounts will take advantage of our discount terms. The others will wait until their bills mature. Yet, without any delay, I have the full cash proceeds in my bank, ready to go to work for me again."

That is a simple description of how Commercial Credit Company's open account financing is making the money and credit problem easy for hundreds of clients.

Credit Rating, High—Capital, Liquid

They ship . . . bill the customer . . . send us duplicate invoices . . . and get their money immediately. It's such a safe, sane and easy way to keep your credit rating high and your cash position strong, you should certainly investigate it.

A Comfortable Margin of Safety

Safe? We have added an exclusive LIMITED LOSS feature to the many other advantages of our open account financing plan. This enables you to discount your receivables *with iron-clad* protection against any credit loss in excess of an agreed, *limited small percentage.*

Easy? Call in our representative. Determine how much cash you need . . . what receivables you want to discount. No notification of customers is necessary. You get your money at once. No financing can be accomplished more simply and quickly than that.

★

We'd like to give you a clear and complete understanding of every detail. . . . You'll get it straighter and quicker through a personal interview than through hearsay or correspondence. Our representative will keep any appointment at your convenience.

COMMERCIAL CREDIT COMPANY

BALTIMORE

NEW YORK CHICAGO PORTLAND ORE. SAN FRANCISCO

The business thermometer:

Manufacturers:

Manufacturers' sales during January 1938 fell off 29 per cent from January 1937, according to reports from manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. Without adjustment for seasonal influences, January sales declined 6 per cent from December 1937.

The only major industry group recording an increase over last January was the Petroleum industry, sales for this group increasing 10 per cent on this comparison. Petroleum manufacturers, along with the machinery industry, were the only groups to show a rise during December 1937 over the previous year.

Substantial declines were registered in the other industry groups separately shown. Decreases ranged from a decline of about 4 per cent in the Printing, Publishing and Allied Industries to the drop of 57 per cent registered by the Motor-Vehicle Parts Group.

Collections during January amounted to 78 per cent of total accounts receivable outstanding on January 1, 1938. The comparable ratio was 68 per cent for January 1937, and 79 per cent for December 1937. The increase in the collection ratio over last year was not characteristic of all industry groups, but resulted from the increase from 31 per cent to 81 per cent recorded by the large Machinery group.

The total volume of accounts receivable outstanding on January 1, 1938 was 25 per cent smaller than on the same date of the previous year, and 9 per cent smaller than on December 1, 1937.

Detailed figures are presented in the following table.

Wholesalers:

The dollar volume of wholesale trade declined 12 per cent during January as compared with January 1937 according to reports from 1,487 wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. Without adjustment for seasonal influences, January 1938 sales registered a decrease of 11 per cent from December 1937.

The rate of collections on accounts receivable during January 1938 fell off only slightly as compared with January 1937. Collections during January amounted to 65 per cent of outstandings on the first of the month. The corresponding ratio was 67 per cent for January 1937 and 72 per cent for December 1937.

The total volume of accounts receivable outstanding on January 1, 1938 was 5 per cent smaller than on the same date of the previous year. Compared with the previous month, January outstandings declined 9 per cent.

The cost value of stocks on hand at the end of January was about 3 per cent higher than at the end of January 1937, according to reports from 928 wholesalers submitting these data. Stocks increased 2 per cent from December 1937, no allowance being made for seasonal influences.

MANUFACTURERS' sales and collections on accounts receivable, January 1938

Industry	Dollar Sales				Number of firms reporting credit data	Collection Percentages*			Total Accounts Receivable		
	Number of firms reporting sales	Percent change Jan. 1938 from		Jan. 1938 (000's)		Jan. 1938	Jan. 1937	Dec. 1937	Percent change Jan. 1, 1938 from		As of Jan. 1, 1938 (000's)
		Jan. 1937	Dec. 1937						Jan. 1, 1937	Dec. 1, 1937	
Food and Kindred products, total	344	− 6.0	− 2.3	41,430	81	158	156	150	−11.9	−19.9	11,483
Confectionery**	263	− 6.1	−11.0	18,379	8	134	129	137	− 4.3	−41.7	1,238
Flour, cereals and other grain mill products	13	−22.7	+ 4.8	5,220	11	127	154	124	+ 5.3	− 6.6	879
Meat Packing	14	− 6.3	− 5.8	3,682	13	234	219	221	−13.4	−20.6	1,434
Other food products	54	+ 2.3	+10.2	14,149	49	152	149	142	−14.3	−16.2	7,932
Textiles and their products, total	67	−30.0	− 8.8	8,214	64	61	74	68	−13.1	−19.3	14,153
Clothing, men's, except hats	14	−16.4	− 7.0	1,201	13	48	53	52	−10.8	−20.3	3,115
Clothing, women's, except millinery	16	−14.3	−10.2	1,414	16	87	82	75	− 6.1	−25.8	2,008
Knit goods	12	−15.0	−24.7	1,255	12	72	78	78	− 9.9	−29.1	2,440
Other textile products	25	−39.3	− 3.0	4,344	23	55	79	69	−17.1	−11.9	6,590
Forest products, total	35	−23.3	− 9.2	18,274	33	55	66	74	−27.9	−40.1	28,111
Furniture	24	−34.2	−10.1	1,062	22	52	60	57	−14.2	−22.0	2,115
Lumber, timber, and other miscellaneous forest products	11	−22.5	− 9.1	17,212	11	55	66	75	−28.8	−41.2	25,996
Paper and allied products, total	63	−13.1	+ 2.0	10,392	55	71	76	77	− 6.5	− 1.9	12,707
Paper, writing, book, etc	12	−13.1	+11.0	2,815	10	94	98	102	−13.8	−13.5	2,465
Paper, boxes and other paper products	30	−19.6	− 8.1	5,200	28	90	93	96	−12.7	− 3.6	6,022
Wall paper	21	+ 5.1	+19.1	2,377	17	31	31	29	+10.1	+ 9.4	4,220
Printing, publishing and allied industries	12	− 3.9	− 2.0	1,465	12	41	50	53	+12.1	− 4.8	3,854
Chemicals and allied products, total	40	−20.0	+ 7.8	8,176	38	84	93	86	− 8.0	− 5.0	9,429
Paints and varnishes	17	−25.4	+31.8	1,316	17	39	43	44	−13.5	−11.2	2,606
Pharmaceuticals and proprietary medicines	11	− 5.9	+35.7	1,149	11	79	81	66	+ 1.1	−11.1	1,384
Other chemical products	12	−21.0	− 0.4	5,711	10	107	121	114	− 7.3	+ 0.2	5,439
Petroleum products	7	+ 9.9	− 9.3	28,914	5	112	107	119	+ 1.7	+ 5.3	15,480
Rubber products	5	−43.3	+ 6.7	1,086	5	47	47	67	− 7.5	+13.0	2,428
Leather and its products, total	28	−15.6	+46.4	7,452	25	42	52	47	− 6.9	−14.7	11,906
Boots and shoes	18	− 4.3	+79.4	6,298	15	37	42	42	+ 3.3	−17.5	10,005
Stone, clay and glass products	21	−21.9	− 2.6	4,591	20	72	79	76	−18.1	−22.3	6,183
Iron and steel and their products, total	57	−50.9	−13.0	18,288	52	88	102	94	−37.5	−13.3	22,179
Hardware	11	−17.9	+43.3	1,991	10	65	86	77	− 7.6	+ 5.3	2,242
Stoves, ranges and steam heating apparatus	11	−23.7	−19.8	1,797	11	97	86	91	−27.0	−25.8	2,172
Other iron and steel products	35	−55.3	−16.6	14,500	31	89	105	96	−40.9	−13.4	17,765
Non-ferrous metals and their products	15	−43.1	−10.0	3,314	11	56	76	63	−28.1	−11.4	5,109
Machinery, not including transportation equipment, total	48	−49.7	−13.1	39,262	43	81	31	61	−38.3	+37.1	54,520
Electrical machinery, apparatus and supplies	16	−13.8	−11.4	6,684	16	47	48	47	− 1.4	− 6.6	7,471
Other machinery: foundry products	32	−53.7	−13.5	32,578	27	86	29	65	−41.7	+48.1	47,049
Motor-vehicle parts	12	−56.9	−29.6	2,197	10	89	93	101	−30.1	− 7.9	2,911
Miscellaneous industries	35	−22.3	− 1.8	3,564	30	53	61	59	− 7.8	−19.6	6,647
Total	789	−29.0	− 6.4	196,619	484	78	68	79	−25.0	− 9.0	207,100

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**These data are taken from the monthly report on sales of confectionery and competitive chocolate products prepared by the Foodstuffs Division of the Bureau of Foreign and Domestic Commerce.

Petroleum distributors, with a gain of 8 per cent, and wholesalers of Farm Products, whose sales increased 3 per cent, were the only trades to record an improvement during January 1938 as compared with January 1937. All other lines of trade showed marked losses from last January, the decreases ranging down to the 38 per cent drop registered by Jewelry and Optical Goods wholesalers.

Sales declines from last January were reported for all regions, the losses ranging from that of 7 per cent in the Pacific area to a decrease of 21 per cent in the New England region. All except the West North Central and Pacific regions recorded slightly lower collection ratios. However, five of the nine regions showed some decrease in stocks from last January.

Detailed figures are presented in the following tables.

WHOLESALERS' sales and inventories, Jan. 1938

Kind of Business	Dollar Sales: Number of firms reporting sales	Dollar Sales: Percent change Jan. 1938 from Jan. 1937	Dollar Sales: Percent change Jan. 1938 from Dec. 1937	Dollar Sales: Jan. 1938 (000's)	Cost of Inventories: Number of firms reporting stocks	Cost of Inventories: Percent change Jan. 1938 from Jan. 1937	Cost of Inventories: Percent change Jan. 1938 from Dec. 1937	Cost of Inventories: Jan. 31, 1938 (000's)	Stock-Sales Ratios#: Jan. 1938	Stock-Sales Ratios#: Jan. 1937	Stock-Sales Ratios#: Dec. 1937
Automotive supplies	56	−11.3	−28.4	989	16	+ 4.9	− 4.2	1,708	432	348	317
Clothing and furnishings	13	−18.1	+ 2.8	578	5	− 6.5	+10.7	187	479	392	497
Shoes and other footwear	38	−13.6	+56.4	10,307	22	+15.4	+ 7.1	24,153	269	217	448
Drugs and drug sundries	123	− 4.7	−13.4	20,176	87	+ 1.9	+ 1.6	34,504	231	221	222
Dry goods	91	−26.4	+ 6.7	8,608	61	− 9.4	+ 5.0	23,666	344	287	343
Electrical goods	301	−11.5	−35.1	13,572	252	+ 8.9	− 1.9	22,429	193	155	126
Farm products (consumer goods)	17	+ 3.0	−28.2	2,284	10	+12.1	− 4.6	601	69	60	70
Furniture and house furnishings	33	−26.6	−25.6	1,650	15	+39.2	+ 2.1	4,018	481	225	387
Groceries and foods, except farm products	218	− 4.9	− 9.4	26,074	105	− 3.0	− 1.5	32,450	190	186	172
Meats and meat products	17	− 8.4	+ 8.0	8,461	12	−31.1	+ 5.9	612	64	84	50
Total hardware group	409	−20.7	−15.6	19,181	269	+ 2.0	+ 3.5	46,902	377	292	307
General hardware	149	−17.9	−13.1	12,322	86	0.0	+ 4.3	31,323	401	333	339
Heavy hardware	28	−28.4	−13.4	1,172	21	+10.8	+ 7.6	4,017	378	239	300
Industrial supplies*	125	−29.3	−19.1	3,112	87	+ 8.2	− 0.4	7,425	340	212	277
Plumbing and heating supplies	107	−17.9	−22.9	2,575	75	− 0.8	+ 1.8	4,137	299	261	208
Jewelry and optical goods	15	−37.7	−69.3	195	9	+ 4.2	−12.9	1,313	—	—	—
Leather and shoe findings	11	−37.1	+ 7.1	151	—	—	—	—	—	—	—
Lumber and building materials	17	−16.9	−15.2	793	12	+ 6.9	+ 2.9	1,189	242	191	201
Machinery, equipment and supplies, except electrical	22	−26.1	+ 3.8	1,431	14	+12.4	− 5.7	4,199	361	223	414
Metals	7	−23.0	+16.4	248	—	—	—	—	—	—	—
Paints and varnishes	7	−17.2	+ 4.2	298	—	—	—	—	—	—	—
Paper and its products	46	−15.4	− 4.3	3,089	18	− 2.0	+ 1.5	2,595	188	153	186
Petroleum	5	+ 8.2	−22.7	4,036	—	—	—	—	—	—	—
Tobacco and its products	13	− 6.2	−22.5	991	—	—	—	—	—	—	—
Miscellaneous	28	−15.0	−15.2	2,778	21	+ 8.4	+ 5.2	8,993	244	217	214
Total	1,487	−12.0	−11.4	125,890	928	+ 2.6	+ 2.0	209,519	256	220	222

*This heading also includes distributors of mill, mine and steam supplies.
#These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, January 1938

Kind of Business	Number of firms reporting	Collection Percentages*: Jan. 1938	Collection Percentages*: Jan. 1937	Collection Percentages*: Dec. 1937	Total Accounts Receivable: Percent change Jan. 1, 1938 from Jan. 1, 1937	Total Accounts Receivable: Percent change Jan. 1, 1938 from Dec. 1, 1937	Total Accounts Receivable: As of Jan. 31, 1938
Automotive supplies	32	52	59	62	− 2.2	−12.0	$1,377
Clothing and furnishings	13	47	51	53	− 5.3	−24.1	1,767
Shoes and other footwear	35	39	37	58	−13.8	+ 0.3	18,508
Drugs and drug sundries	109	76	79	82	+ 5.0	− 5.1	24,676
Dry goods	80	47	47	54	−12.1	−21.6	20,003
Electrical goods	278	66	73	72	+ 3.2	− 5.6	25,316
Farm products (consumer goods)	15	140	142	129	+ 2.0	−16.9	911
Furniture and house furnishings	31	53	50	52	−18.9	−17.4	3,976
Groceries and foods, except farm products	160	98	96	104	− 3.7	− 6.5	21,032
Meats and meat products	14	192	164	172	−19.4	− 1.8	4,475
Total hardware group	366	49	55	58	− 5.4	− 9.9	36,247
General hardware	130	47	51	55	− 5.3	−10.4	23,274
Heavy hardware	26	59	64	68	−15.0	−11.8	1,920
Industrial supplies**	108	50	65	65	− 0.2	− 0.5	5,522
Plumbing and heating supplies	102	53	57	62	− 7.0	−15.1	5,531
Jewelry and optical goods	12	55	65	26	+ 6.4	−22.5	899
Leather and shoe findings	9	29	32	33	+ 1.1	− 9.1	190
Lumber and building materials	16	59	65	73	− 6.2	−19.6	1,339
Machinery, equipment and supplies, except electrical	18	34	44	42	+ 2.6	− 4.6	2,365
Metals	6	77	78	73	−15.6	−16.0	315
Paints and varnishes	4	66	79	63	−15.4	− 6.5	259
Paper and its products	33	62	61	60	−13.9	− 7.3	4,193
Tobacco and its products	9	89	89	100	+ 6.0	+ 3.8	685
Miscellaneous	26	69	78	80	+ 5.2	− 7.8	6,566
Total	1,266	65	67	72	− 5.0	− 9.0	175,099

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic regions, January 1938

Kind of Business and Region	Dollar Sales				Cost of Inventories				Stock-Sales Ratios♯		
	Number of firms reporting sales	Percent change Jan. 1938 from Jan. 1937	Percent change Jan. 1938 from Dec. 1937	Jan. 1938 (000's)	Number of firms reporting stocks	Percent change Jan. 1938 from Jan. 1937	Percent change Jan. 1938 from Dec. 1937	Jan. 31, 1938 (000's)	Jan. 1938	Jan. 1937	Dec. 1937
New England	89	−20.9	−26.6	3,514	66	−2.3	+0.4	5,255	240	220	167
Electrical goods	30	−0.9	−43.0	854	11	−0.5	+0.8	1,711	208	207	118
Groceries and foods, except farm products	4	−2.7	−1.2	255	—	—	—	—	—	—	—
General hardware	4	−19.6	−38.8	74	—	—	—	—	—	—	—
Heavy hardware	6	−30.5	−5.8	98	5	+0.4	−0.2	473	493	339	469
Industrial supplies*	16	−25.5	−30.7	251	14	+5.1	−0.3	745	358	263	236
Plumbing and heating supplies	9	−23.3	−17.3	148	5	−7.2	−2.9	399	391	319	331
Middle Atlantic	335	−14.9	−21.0	26,319	198	−0.3	+1.2	32,309	227	193	171
Shoes and other footwear	12	−48.6	−16.7	702	5	−3.5	+19.6	1,392	508	290	384
Drugs and drug sundries	15	−13.0	−14.9	3,240	11	−3.1	+2.5	3,541	180	158	143
Dry goods	22	−30.3	−9.4	1,426	13	−2.3	+3.9	2,903	358	277	260
Electrical goods	60	−20.5	−41.6	2,361	55	−3.9	−2.7	4,302	186	154	111
Farm products (consumer goods)	4	+11.3	−39.8	1,101	—	—	—	—	—	—	—
Groceries and foods, except farm products	44	−0.7	−13.8	7,508	16	+2.1	−1.9	10,187	182	178	158
Meats and meat products	4	−22.7	−6.5	2,856	—	—	—	—	—	—	—
General hardware	31	−23.8	−34.0	1,099	11	+0.8	+18.8	2,674	459	335	273
Heavy hardware	12	−25.9	−16.5	471	8	+1.6	+2.4	1,296	324	231	258
Industrial supplies*	35	−27.3	−16.0	766	23	+6.0	0.0	1,687	290	187	251
Plumbing and heating supplies	43	−21.6	−30.3	846	32	−2.4	+0.7	1,529	292	255	172
Jewelry and optical goods	12	−38.3	−68.8	184	8	+3.6	−13.3	1,283	923	505	384
Lumber and building materials	5	−39.4	−18.1	131	—	—	—	—	—	—	—
Paper and its products	15	−15.5	+0.6	1,078	—	—	—	—	—	—	—
East North Central	247	−12.4	−20.3	20,328	157	−8.0	−0.3	30,605	257	222	197
Automotive supplies	9	−20.1	−42.0	131	—	—	—	—	—	—	—
Drugs and drug sundries	19	−8.2	−16.6	2,582	11	+4.6	−1.1	3,569	207	180	163
Dry goods	11	−26.3	−22.1	781	9	−7.8	+1.4	2,427	332	268	255
Electrical goods	59	−9.2	−31.3	3,817	48	+7.1	−3.4	5,225	183	146	122
Groceries and foods, except farm products	50	−7.2	−9.4	6,144	24	−2.9	+1.5	5,679	188	178	166
General hardware	14	−22.0	−29.0	2,257	13	−8.9	−0.8	8,039	447	384	325
Industrial supplies*	25	−27.2	−19.5	720	18	+12.7	+0.5	2,232	413	267	327
Plumbing and heating supplies	9	−19.7	−22.6	277	5	−2.5	+6.2	155	272	279	206
Paper and its products	10	−19.2	−7.9	1,117	—	—	—	—	—	—	—
West North Central	188	−8.6	+13.9	27,124	124	+6.3	+4.6	56,128	281	237	316
Automotive supplies	14	−12.8	−22.7	286	7	+10.0	−2.7	949	502	401	376
Clothing and furnishings	5	−14.6	+95.2	41	—	—	—	—	—	—	—
Shoes and other footwear	6	−1.6	+89.2	8,150	—	—	—	—	—	—	—
Drugs and drug sundries	15	−9.6	−12.9	2,157	14	−0.4	+3.0	4,231	229	208	193
Dry goods	7	−26.3	+18.2	2,622	6	−4.3	+2.2	9,656	378	292	435
Electrical goods	36	+7.2	−33.6	1,510	30	+10.9	+5.1	2,395	181	175	118
Furniture and house furnishings	9	−23.2	−29.7	785	6	+49.9	+2.1	2,736	518	240	438
Groceries and foods, except farm products	30	−13.2	−7.8	2,783	15	−12.4	−2.8	4,639	216	212	209
General hardware	10	−11.6	−1.0	1,427	8	−10.7	+11.8	3,731	348	346	362
Heavy hardware	5	−9.4	−2.0	48	—	—	—	—	—	—	—
Industrial supplies*	13	−21.9	−32.0	285	7	+10.4	−4.6	607	384	304	283
Plumbing and heating supplies	11	−9.9	−26.2	237	6	+1.9	+3.8	747	482	431	299
South Atlantic	198	−13.1	−10.9	11,601	122	+1.7	+2.4	16,651	235	200	204
Shoes and other footwear	5	−26.2	+145.8	639	—	—	—	—	—	—	—
Drugs and drug sundries	22	+0.5	−10.7	2,043	13	+2.4	+1.9	3,255	232	232	191
Dry goods	10	−29.2	−4.8	690	6	−6.4	+9.6	1,321	355	286	332
Electrical goods	45	−27.8	−40.1	1,272	39	+18.7	−0.1	2,636	233	142	140
Groceries and foods, except farm products	28	−5.6	−7.9	1,746	10	−0.2	+2.1	1,233	183	174	159
General hardware	31	−17.7	+8.3	1,782	15	+4.4	+2.1	3,316	341	281	383
Industrial supplies*	14	−28.7	−10.6	253	8	+1.2	+2.7	579	300	204	270
Plumbing and heating supplies	21	−8.6	−21.0	522	18	−0.5	+6.3	884	233	210	186
Paper and its products	6	−13.8	−3.0	287	—	—	—	—	—	—	—
East South Central	83	−15.8	−2.4	6,137	53	−8.6	+0.5	8,643	199	189	191
Drugs and drug sundries	13	−10.7	+1.6	1,736	9	+0.4	+4.0	2,151	143	126	141
Dry goods	12	−22.7	+24.3	998	7	−29.8	+2.4	2,050	252	285	319
Electrical goods	11	−4.1	−36.4	467	10	+29.5	−9.9	820	185	1401	133
Groceries and foods, except farm products	12	−7.3	−8.9	675	6	−5.6	−7.0	560	183	191	184
General hardware	17	−20.4	+7.9	1,423	8	+6.6	+3.0	1,822	303	248	295
West South Central	119	−13.0	−4.9	10,824	85	−1.2	+2.1	22,100	257	220	242
Drugs and drug sundries	18	+9.4	−12.1	2,552	14	+6.1	+1.6	5,106	240	248	211
Dry goods	14	−25.0	+18.1	1,329	12	−14.8	+17.2	3,980	328	292	330
Electrical goods	23	−6.6	−30.0	928	17	+21.1	−7.8	1,282	176	137	140
Groceries and foods, except farm products	24	−6.8	−1.7	3,086	19	−13.1	−2.6	4,903	195	203	193
General hardware	18	−9.2	+7.9	1,276	12	+5.6	+9.7	2,847	315	275	311
Industrial supplies*	5	−45.4	−22.0	495	—	—	—	—	—	—	—
Mountain	51	−10.2	−21.1	4,229	33	+6.0	+1.5	6,564	251	220	207
Drugs and drug sundries	5	−10.2	−12.8	724	—	—	—	—	—	—	—
Electrical goods	9	−13.5	−32.1	517	6	+0.6	+0.9	324	144	133	107
Groceries and foods, except farm products	7	+6.5	−17.1	1,485	5	+17.2	+0.2	2,662	215	203	178
General hardware	8	−27.7	−31.0	566	6	−8.0	+6.7	1,491	424	318	315
Pacific	177	−7.3	−15.1	15,814	96	+10.5	+0.9	31,264	287	250	230
Automotive supplies	26	−12.4	−21.6	352	—	—	—	—	—	—	—
Shoes and other footwear	6	−26.0	−14.4	77	—	—	—	—	—	—	—
Durgs and drug sundries	10	+1.8	−17.1	4,360	7	+2.3	+1.1	10,270	305	341	241
Dry goods	12	−23.2	+24.1	706	7	−6.7	+2.1	1,247	333	299	344
Electrical goods	28	−10.3	−30.3	1,846	23	+19.7	−1.7	3,734	212	158	151
Farm products (consumer goods)	6	+0.1	−11.1	712	—	—	—	—	—	—	—
Furniture and house furnishings	9	−27.3	−27.2	338	—	—	—	—	—	—	—
Groceries and foods, except farm products	19	−3.9	−1.5	2,392	9	+0.1	−4.1	2,521	164	157	156
General hardware	16	−14.6	−13.6	2,418	10	+15.1	+0.7	7,171	484	357	390
Industrial supplies	11	−13.6	−2.6	223	8	+20.7	−0.2	536	380	271	433
Plumbing and heating supplies	10	−12.4	−11.4	397	6	+20.4	−0.5	195	253	160	218
Paper and its products	5	+12.6	+2.0	259	—	—	—	—	—	—	—

*This heading also includes distributors of mill, mine and steam supplies.

♯These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic regions, January 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
					Percent change Jan. 1, 1938 from		As of Jan. 1, 1938 (000's)
		Jan. 1938	Jan. 1937	Dec. 1937	Jan. 1, 1937	Dec. 1, 1937	
New England	76	65	71	72	−5.1	−5.2	4,941
Electrical goods	28	72	77	88	−7.5	−0.4	1,704
Groceries and foods, except farm products	4	74	81	77	+11.2	−3.0	327
Heavy hardware	6	55	69	63	−18.1	−15.3	177
Industrial supplies**	12	52	65	60	−10.8	−5.7	247
Plumbing and heating supplies	8	37	47	45	−9.7	−14.4	346
Middle Atlantic	284	71	72	74	−9.9	−10.2	33,078
Shoes and other footwear	12	32	34	41	−6.3	−15.3	3,320
Drugs and drug sundries	14	69	70	73	−4.5	0.0	4,075
Dry goods	18	51	53	63	−18.2	−6.8	2,726
Electrical goods	58	76	75	87	−17.0	−11.5	4,183
Groceries and foods, except farm products	28	103	97	93	−6.9	−12.3	6,098
General hardware	26	43	47	55	−9.9	−11.7	2,437
Heavy hardware	11	60	68	70	−13.3	−12.6	745
Industrial supplies**	29	65	71	67	−12.1	−8.4	1,187
Plumbing and heating supplies	43	46	50	60	−8.8	−13.6	2,187
Jewelry and optical goods	9	55	64	24	+2.9	−21.9	783
Paper and its products	9	59	59	62	−16.4	−3.1	1,261
East North Central	218	67	72	74	−3.7	−9.1	29,233
Automotive supplies	9	70	73	64	−1.1	−18.1	281
Drugs and drug sundries	14	87	91	96	−2.1	−4.1	2,551
Dry goods	10	48	50	52	−6.7	−16.3	2,005
Electrical goods	56	62	72	66	+10.3	−5.0	7,737
Groceries and foods, except farm products	38	86	85	100	−6.5	−2.7	5,333
General hardware	13	49	55	58	−6.8	−12.2	4,476
Industrial supplies**	25	67	70	76	−23.8	−25.3	1,153
Plumbing and heating supplies	8	61	66	70	−13.1	−14.2	538
Paper and its products	9	62	57	58	−17.7	−9.3	1,883
Tobacco and its products	5	128	132	139	+22.9	−1.4	215
West North Central	162	61	58	71	−9.6	−9.1	40,747
Automotive supplies	11	46	71	64	+5.8	−11.6	512
Clothing and furnishings	5	29	34	38	+26.4	−29.7	201
Shoes and other footwear	6	40	37	64	−15.6	+6.7	14,006
Drugs and drug sundries	13	73	80	79	+6.2	−1.3	2,745
Dry goods	7	46	44	55	−15.1	−29.5	6,565
Electrical goods	32	57	72	60	+39.0	−4.3	3,147
Furniture and house furnishings	9	55	47	51	−18.1	−19.3	2,038
Groceries and foods, except farm products	22	108	107	135	−9.0	−1.5	2,227
General hardware	10	44	51	56	+0.2	−16.2	3,104
Heavy hardware	5	42	43	54	+6.6	−9.6	113
Industrial supplies**	11	68	63	68	−12.3	−20.2	420
Plumbing and heating supplies	9	52	48	61	−4.6	−22.3	417
South Atlantic	155	63	67	70	−3.6	−7.3	14,696
Drugs and drug sundries	19	87	92	99	+8.9	+2.2	2,123
Dry goods	7	42	50	46	−13.3	−21.2	1,444
Electrical goods	31	66	75	77	−3.0	−7.0	2,370
Groceries and foods, except farm products	19	110	109	120	−5.2	−2.7	822
General hardware	29	43	49	50	−5.6	−4.1	3,390
Industrial supplies**	10	51	71	85	−10.2	+15.8	404
Plumbing and heating supplies	20	56	60	60	−1.8	−18.1	1,169
Paper and its products	5	57	70	59	−11.6	−0.3	352
East South Central	67	55	61	64	+2.3	−1.8	8,708
Drugs and drug sundries	12	70	68	68	+0.5	−5.5	1,715
Dry goods	10	44	42	51	−13.6	−20.9	2,102
Electrical goods	9	62	77	68	+25.3	+10.2	863
Groceries and foods, except farm products	9	92	86	92	−8.2	−2.2	527
General hardware	11	46	53	52	−7.5	−1.6	1,698
West South Central	101	61	64	67	+5.1	−10.2	15,956
Drugs and drug sundries	17	80	80	80	+13.0	−6.1	3,509
Dry goods	14	39	40	51	−0.3	−17.8	3,773
Electrical supplies	14	75	84	75	+24.0	−7.2	919
Groceries and foods, except farm products	21	97	100	108	+1.4	−6.0	2,776
General hardware	17	53	58	63	+3.6	−13.1	1,917
Mountain	44	66	71	73	+2.9	−11.0	5,270
Electrical goods	9	54	59	50	−8.5	−10.8	1,386
Groceries and foods, except farm products	6	92	92	103	+18.0	−2.4	1,426
General hardware	6	48	56	56	+8.9	−16.4	842
Pacific	145	71	71	76	−1.6	−9.7	22,470
Automotive supplies	8	46	40	61	−9.5	−9.5	360
Shoes and other footwear	6	36	43	47	+1.6	−17.9	316
Drugs and drug sundries	10	77	81	86	+11.7	−10.8	5,987
Dry goods	11	69	63	54	−16.5	−21.9	1,288
Electrical goods	27	72	73	79	+0.6	−2.7	3,003
Farm products (consumer goods)	6	146	157	137	+7.7	−28.4	365
Furniture and house furnishings	9	51	57	58	−23.1	−9.6	920
Groceries and foods, except farm products	13	115	115	116	+1.9	−10.4	1,496
General hardware	15	51	50	55	−8.8	−9.0	5,231
Industrial supplies**	11	58	53	62	−7.7	−9.1	361
Plumbing and heating supplies	10	70	73	71	−6.4	−11.5	616

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.

**This heading also includes distributors of mill, mine and steam supplies.